STRATEGIC MARKET PLANNING: SETTING SHORT- AND LONG RANGE MARKETING OBJECTIVES FOR U.S. SUBSIDIARIES OF GERMAN FIRMS

DISSERTATION

Presented to the Graduate Council of the North Texas State University in Partial Fulfillment of the Requirements

For the Degree of

DOCTOR OF PHILOSOPHY

By

Wolfram Kleinknecht, B. A., M. A.

Denton, Texas

August, 1987
Setting short- and long-range marketing strategic objectives represents one of the major elements in a company's strategic market planning process. Without the delineation of such objectives, goal-oriented marketing strategies cannot be conceived, nor can their successful implementation be monitored or controlled.

The purpose of this dissertation was to conduct empirical exploratory research to determine whether marketing strategic objectives of U.S. subsidiaries of German firms would differ, given firms' differences in perception of competitive position and market trends.

A mail questionnaire was designed to collect data from a sample of 999 firms. A total of 354 usable responses was obtained.

The type of analytical techniques applied to test the hypotheses in the study varied according to the scale properties of the corresponding variables. Test statistics included chi-square, the point-biserial correlation coefficient, the correlation ratio, and Kendall's tau.
The results of the study suggest that (1) quantifiable short-term marketing objectives are set independent of perceived company competitive capabilities and perceived impact of industry-specific as well as external (general) market conditions, (2) a systematic relationship exists between perceived company position relative to industry and the type of primary strategic marketing objective, both from a short- and long-term perspective, (3) a systematic relationship exists between choice of market share vs. profitability objective and perceived company competitive capabilities and industry-specific market conditions, and (4) that general market developments worldwide, in the U.S., and in W. Germany are too removed from the strategic market planning horizon of U.S. subsidiaries of German firms to be used as decision inputs.

The study could be used as a basis for future cross-cultural research efforts in the area of strategic market planning. Furthermore, the research results will help in the development of a theoretical framework of market planning for foreign markets.
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CHAPTER I

INTRODUCTION

The Problem

To ensure long-term success, a company must meet the challenges—the threats and opportunities—that will confront it on all sides: social, political, as well as market-specific, competitive, and financial challenges. One essential element of the strategic market planning process—the environmental analysis—provides a basic framework for identifying, evaluating, and planning for these challenges.

The over-emphasis on environmental factors, in a passive or deterministic sense, however, can be dangerous and misleading. The screening of exclusively market-situational and market-external factors can lead to an over-estimation of environmental threats, and an under-estimation of company competitive strengths and capabilities, both current and future. More significantly, environmental analysis alone will not help companies in deciding on a specific course of action, nor will it help them in choosing a strategic posture to compete successfully in a product-market. It should be remembered that there is no pre-ordained course for businesses to follow, nor are companies without resources to shape current and future trends (Wilson, George, and Solomon 1978, p. 66).
In adopting a strategic planning approach, firms can make better current decisions to exploit market opportunities and to avoid threats. Strategic planning means designing a desired future and identifying ways to bring it about (Steiner 1979, pp. 13-14). A desired outcome of strategic market planning is the identification and exploitation of competitive advantage(s)—distinguished capabilities of a firm which can be maintained beyond the near future in a given product-market or industry.

Strategic planning is different from tactical planning; it requires a perspective that is more long-term (5-20 years) than tactical planning; it demands fundamental decisions of principle about the allocation of corporate resources (Buttle 1985). It further differs from traditional planning in taking a more holistic and probabilistic view of the future; in placing less reliance on the past; in being more flexible; and in assessing company strengths and weaknesses more rigorously to determine the possible limits of reshaping both the business and its environment (Wilson, George, and Solomon 1978).

Among the factors that led to the widespread adoption of strategic planning by firms starting in the late 1960s were increased competition domestically and from abroad, the speed of advancement in technology, and the increased rate of environmental change (Fulmer and Rue 1974).
A manager at a GE division once described Marketing's role in strategic planning as follows:

"... the marketing manager is the most significant functional contributor to the strategic planning process, with leadership roles in defining the business mission; analysis of the environmental, competitive, and business situations; developing objectives, goals, and strategies, and defining product, market, distribution, and quality plans to implement the business' strategies. This involvement extends to the development of programs and operating plans that are fully linked with the strategic plan" (Harrell 1980, quoted in Cravens 1982, p. 17).

Cravens (1982, pp. 17-18) points out that marketing strategists are involved in the strategic planning process in three important ways: (1) they participate in strategic analysis and planning for the enterprise; (2) they serve with other functional managers as a member of the business unit strategic planning team; and (3) they develop and execute strategic marketing plans for strategic business units, or SBUs. Steiner, Miner, and Gray (1982) define strategic business units as "... distinct businesses, with their own set of competitors that can be managed in a manner reasonably independent of other businesses within a company" (1982, p. 189).

The setting of strategic marketing objectives (SMOs) forms a major task in the strategic market planning process and is of central importance to the firm. For without the delineation of strategic marketing objectives, goal-oriented marketing strategies cannot be conceived, nor can their successful implementation be measured or controlled.
The setting of SMOs is most strongly influenced by corporate goals and company views on both current and future competitive position and capability of the SBU(s). An equally important input factor are the firm's perceptions of current market conditions and future developments, such as market growth rates and overall attractiveness of a market.

Strategic market planning in (or for) foreign markets is more difficult than domestic market planning. This difficulty stems from the fact that the interactions between the firm and the environment—political, economic, legal, social, cultural, and market-specific—are different and (potentially) more complex.

Firms operating in foreign markets have to deal not only with varying availability, depth, and reliability of market information, but also with the differences in industrial structure and business practices abroad. It is these latter differences that make strategic market planning abroad more complex, especially with respect to assessing market conditions and trends and in evaluating the company's competitive position and capability.

Purpose of Research

The purpose of this dissertation is to conduct empirical exploratory research to determine whether firms' strategic marketing objectives in a given foreign market will be the
same, given firms' like perceptions of competitive and market conditions and trends.

Specifically, the dissertation investigates how, if at all, the SMOs of American subsidiaries and joint ventures of West German firms in the U.S. are "affected" by such firms' assessment of competitive and market conditions and trends in the U.S. market.

Major Questions Addressed

Major questions addressed in this dissertation include the following:

1. Are there any differences among firms' short-run marketing objectives, given differences in perception of competitive and market conditions and short-term trends?
2. What, if any, are these differences?
3. Are there any differences among firms' long-term marketing objectives, given differences in perception of long-term competitive position and market trends?
4. What, if any, are these differences?

Importance of Research

The present research effort is important for individuals and firms concerned with the link between market and competitive situations on one hand, and the setting of strategic marketing objectives (SMOs) on the other. From an academic
perspective the research will contribute to the knowledge concerning strategic market planning in foreign markets by providing exploratory empirical research in an area where little research has been done.

To be sure, the body of existing literature on strategic planning is extensive. Researchers have studied the extent to which the strategic planning process has been adopted by foreign and domestic firms, and how firms can benefit from its adoption (Karger and Malik 1975, Kumar 1978, Ang and Chua 1979, Linneman and Klein 1979, Sethi 1982).

Other areas of existing research pertain to the various steps and processes of strategic market planning, such as external and internal environmental scanning, evaluation of current company position and objectives, goal-setting procedures, and strategy selection, implementation and control.

However, there is a lack of empirical research pertaining to the link between competitive/market conditions and trends on one hand, and the setting of SMOs on the other. This gap exists both with respect to domestic and foreign firms, but particularly with respect to firms' foreign operations.

Specifically, the study should help in addressing the following questions:

1. Do companies consider market/competitive situations and trends when setting SMOs?
2. Do similar (reported) conditions and trends "result" in similar SMOs? Specifically, does a "less favorable" company position (and do "less favorable" market conditions and trends) lead to different, less ambitious goals? Conversely, do "more favorable" company positions and market conditions lead to more ambitious goals?

3. Do SMOs vary by type and/or by magnitude, corresponding to current and anticipated competitive and market conditions?

Methodology

Existing research on strategic market planning has been instrumental both in selecting the key variables (and their operationalization) that firms use in their assessment of competitive and market conditions and trends, and in defining strategic marketing objectives. But due to the lack of empirical research pertaining specifically to the link between competitive and market conditions and trends on one hand, and SMOs on the other, the present research effort is exploratory in nature.

In order to achieve an adequate sample size that allows rigorous testing of hypotheses, a mail-survey approach has been used to collect data. The questionnaire design and the operationalization of variables are based on existing
literature and on empirical field research performed by the author in Dallas-Fort Worth in October 1986.

Subjects for the study have been chosen from privately published directories of American subsidiaries and joint ventures of German firms in the U.S. The selection of directories is based on the recommendations of the U.S. Department of Commerce (Telephone Interview, April 4, 1986). Specific aspects of the population, sample selection, and research design are discussed in Chapter IV.

Scope of the Study

The study is confined to German firms operating in the U.S. market. The extent to which results can be generalized beyond this type and origin of firms is not known.

Limitations and Assumptions

The true size of the population cannot be known, since official government listings are not available to the general public. To the extent that published sources and the study sample do not represent the "true" population, this unavailability of official company listings forms a threat to the validity and reliability of results.

The dissertation is limited in the sense that it is not designed to address the extent of formal strategic (market) planning in firms. Instead, it focuses on given strategic marketing objectives of firms and on the extent to which the
setting of such objectives may be influenced by market and competitive conditions and trends.

Knowing the extent of firms' formal strategic planning --including all functional areas of planning--is not of relevance to the dissertation, because of its exclusive focus on strategic market planning and objectives. The extent and organization of strategic planning in the U.S. and Western Europe is well documented in the literature (Brandt and Hulbert 1977, Gouy 1978, Toepfer 1978, Keppler, Bamberger and Gabele 1979, Kreikebaum and Grimm 1982, Shipley 1985).

One might add that the "true" extent of firms' formal planning can never be known because of the differences in the way planning systems are formalized and how terms and responsibilities are operationalized.

A further limitation of the study is its exclusive focus on one (the most important) product-market served by each firm in the sample. Responding firms might serve more than one important product-market. The narrow focus in the dissertation was necessary to keep the study design at a manageable level of complexity. Any and all results of the dissertation pertain to the one product line identified by respondents as being the single most important one.

The study is not incorporating marketing strategies into its basic design. The dissertation is concerned only with the link between market and competitive conditions and trends on one hand, and SMOs on the other. The theoretical link
between objectives and strategies is not part of this research effort. The author assumes that a given set of SMOs can be achieved through a number of strategic avenues open to the firm. In other words, for a researcher to know what SMOs have been chosen by a firm will yield little insight into the strategic measures being taken by the firm to achieve the objectives. To illustrate: the goal or objective of a firm to gain market share in a no-growth market situation can be achieved through a set of pricing strategies, but also through a set of distribution strategies, or through a combination of various (other) strategies.

Conceptualizing all possible strategy combinations for a given SMO in an empirical research context is virtually impossible. Furthermore, the definitions and interpretations of "strategy" can vary from simple short-term operational plans and budgets to a detailed financial plan, regardless of the size of companies and the complexity of their operations (Green and Jones 1981, p. 66).

Companies are surveyed at the local (U.S.) level. We do not know how much control the individual organizations have in relation to corporate headquarters. However, this dissertation is not concerned with the organizational aspects of strategic market planning. For those cases where the organization is not headquartered in the U.S., we have to assume that subsidiaries have at least some control over the setting of SMOs. This assumption appears reasonable, given the size
of most U.S. operations of German firms, the distance of markets (W. Germany, the U.S.), and the ownership pattern of the firms.

The ownership pattern of U.S. operations of German firms shows that over half of the firms are 100% owned by their German parent companies, based on 1986 data by the German-American Chamber of Commerce. Furthermore, only about 3% of the U.S. operations have a (German) ownership level of less than 50 percent (German-American Chamber of Commerce 1986).

Since the extent of strategic market planning among the firms is not addressed in this study, a further assumption is that the possible absence of a formal planning system does not automatically indicate an inability among respondents to set SMOs for product-markets, nor that market planners are unaware of the need to set such objectives in accordance with market and competitive conditions and trends.

More importantly, we assume that, if SMOs are not set at the local (U.S.) level, respondents could still adequately reflect the views and decisions of headquarters (or of whoever is responsible for setting SMOs for the U.S. market).
CHAPTER II

STRATEGIC MARKETING AND LONG-RANGE PLANNING
IN THE BUSINESS FIRM: A LITERATURE REVIEW

Introduction

The purpose of this review is to present an overview of strategic planning issues relevant to this study. The review is intended to give theoretical support for the dissertation research and to present existing empirical research in the area of strategic market planning.

There are six (6) parts in this review. Part One yields a brief discussion of major elements in the planning process and provides a definition of terms. Part Two highlights the uses of long-range and strategic planning in U.S. companies, as reported in the literature. Part Three is concerned with the use of matrices and portfolio approaches in strategic market planning. Part Four deals with the setting of goals and strategic marketing objectives and the processes involved (i.e., goal-setting procedures, standards and control variables, and implementation). Part Five discusses the range of performance measures in strategic market planning. Part Six describes the similarities and differences in strategic planning practices in the international context, with emphasis on European firms and multinational corporations. The review concludes with published appeals
for empirical research in the area of strategic market planning at firms' subsidiary level, as suggested by current authors in the field.

Strategic Marketing, Long Range- and Strategic Planning: Discussion of Terms

In describing the concept of strategic planning (SP), Vancil and Lorange note: "The widely accepted theory of corporate strategic planning is simple: using a time horizon of several years, top management reassesses its current strategy by looking for opportunities and threats in the environment and by analyzing the company's resources to identify its strengths and weaknesses" (1975, p. 81). The desired outcome of SP is the identification and exploitation of competitive advantage(s)—distinguished capabilities of the firm which can be maintained beyond the near future in a given industry or product-market.

The concept of long-range and strategic planning has been adopted by U.S. businesses with remarkable speed. Early contributions include David W. Ewing's publishing of "Long Range Planning for Management" in 1958. By 1970—only 12 years later—Mockler (1970) reviewed the subject and identified 36 major books that had been published on SP during that interval. Among the factors that led to the rising popularity of long-range planning (LRP) and SP in the late 1960s were increased competition worldwide, the speed of
advancement in technology, and the increased rate of environmental change (Fulmer and Rue 1974).

Long-range strategic planning (LRSP) is concerned with the future. To quote one author, it is "... an attempt to develop 'a frame of reference' for current decisions; ... most of all, it must be recognized that it is a management tool that attempts to answer the question: What do we want the future to be?" (Carlson 1978, p. 54).

Strategic planning requires a perspective that is more long-term (5-20 years) than tactical planning; it demands fundamental decisions of principle about the allocation of corporate resources (Buttle 1985, p. 81). Strategic planning further differs from traditional corporate planning in taking a more holistic and probabilistic view of the future, in placing less reliance on the past, in being more flexible, and in assessing corporate strengths and weaknesses more rigorously in order to determine the possible limits of reshaping both the business and its immediate environment (Wilson, George, and Solomon 1978, p. 66).

To differentiate LRP from SP, Wright (1982) notes that LRP involves producing 5-year plans in broad outline, sometimes including industry projections but more usually cash, profit, and capital expansion requirements, whereas SP is concerned with finance and marketing strategies, market segmentation studies, demographic analysis, 5-year
organizational development programs, and scenario or delphi analysis of strategic issues (Wright 1982, p. 129).

Wright's description implies that SP is future-oriented, and that the difference between SP and LRSP is one in degree rather than in kind. He also makes clear that LRP is not necessarily concerned with strategic issues.

In defining strategy, Carlson (1978, p. 55) writes that strategy refers to the concept that there exist major organizational objectives; the task of the manager is to identify and use those factors which will bring about the desired result(s). Carlson thus recognizes that the strategic process is initiated and controlled by top management, and that the process is goal-oriented.

Cravens (1982) further points out that marketing strategists are involved in the strategic planning process in three important ways:

1. They participate in strategic analysis and planning for the enterprise;
2. They serve with other functional managers as a member of the SBU planning team; and
3. They develop and execute strategic marketing plans for SBUs (1982, pp. 17ff.).

In defining the term, Cravens (1982) notes that strategic marketing consists of the following process:

1. Strategically analyzing environmental, competitive, and business factors affecting business units and forecasting future trends in business areas of interest to the enterprise;
2. Participating in setting objectives and formulating corporate and business unit strategies;

3. Selecting target market strategies for the product-markets in each business unit, establishing marketing objectives, and developing, implementing, and managing marketing program positioning strategies for meeting target market needs (Cravens 1982, p. 18).

The setting of strategic marketing objectives (SMOs) forms one of the major tasks in the strategic planning process and is of central importance to the firm. For without the delineation of strategic objectives, goal-oriented marketing strategies cannot be conceived, nor can their successful implementation be measured or controlled. Cravens (1982, p. 202) points out that the need for setting marketing objectives is so obvious that it is surprising how little attention is often given to this important area.

In Search of a General Model

In his article entitled "Strategic Planning," Murray (1979) conceives of business organizations as being embedded in a wide environment. He regards this environment as having three levels: the macro-environment, the organization's publics, and its core environment. The environment is scanned, filtered, and amplified through a "Strategic Marketing System," which produces strategic signals upon which firms will act. In Murray's model, the strategic marketing system thus performs the function or process of environmental analysis.
According to Murray, the strategic signals can be of varying intensity. Weak signals, such as the sense of a threat or opportunity whose consequences are unpredictable, would be based on ambiguous, tentative data. Strong signals would require an equally strong strategic response by the organization.

Many alternative approaches to the process of environmental analysis have been suggested (Drucker 1954, Denning 1973, King and Cleland 1974, Terry 1977, Bates 1985).

Ansoff (1975) argues for the careful and systematic attention to weak signals during the environmental analysis, because most strategic planning systems seem unable to adequately respond to posing threats or opportunities, regardless of intensity.

Ansoff (1975) names four distinct weaknesses that are inherent in most strategic planning systems:

1. Significant discontinuities occurring outside the planning cycle;

2. Long planning delays of 6-9 months between initiation and completion of planning, yielding responses too slow for fast-moving threats or opportunities;

3. Organizational inflexibility of strategic planning: when an issue fails to conform to the scope of existing planning units it tends to be ignored or lost; and

4. The difficulty in implementation: converting plans into action in a timely manner (1975, pp. 2ff.)
Murray offers six marketing strategy components, namely segmentation, positioning, marketing mix, entry, timing, and capability strategy (1979, p. 81). Based on these components, the author suggests a number of alternative responses to strategic signals, which, as the signals themselves, vary in terms of intensity.

Marketers in the late 1970s and early 1980s have been preoccupied with growth markets and growth strategies. This preoccupation is well exemplified in an article by Weber (1977). Weber prescribes 15 growth strategies which he argues are feasible even in no-growth situations; his assertion is based on the idea of existing gaps with respect to a company's product line and its distribution, usage, and competition (1977, p. 35). The author maintains that firms could increase their profitability by closing these gaps. Weber's assertion seems groundless for the majority of firms that are small in size and which have to operate under industry conditions of little or no growth—the conditions more typical of the 1980s. Filling gaps is a strategy which is often adopted by market nichers, but it is by no means a strategy fit for the majority of today's industry and company situations. His recommendations implicitly preclude a more realistic and in-depth assessment of market trends and the limited capacity of most business organizations.
The Use of Long-Range and Strategic Planning in U.S. Companies

A recent article by Ang and Chua (1979) represents one of the few attempts to assess the extent of LRP activities among firms today. Most of the existing literature on LRP has strong normative overtones, and arguments are generally based more on logic than on empirical research findings.

Ang and Chua, who surveyed 500 large U.S. firms in various industries, found that the clear majority (94%) of the 113 responding firms had some form of documented long-range planning. The authors also found that the prevailing attitude toward LRP was quite favorable. This was especially so among top management, financial managers, and the planning staff, but less so among other functional areas such as production and marketing.

When asked to identify the decision/problem areas that were considered in the LRP process, the most prominent answers included future capital expenditures, sales forecasts, and cash requirements. Roughly half of all respondents considered policy formulation, investment planning, supply/demand projections, and diversifications in their LRP activities.

In order of decreasing importance, the following perceived benefits accrued from LRP according to the study of Ang and Chua:
1. Ability to explore more alternatives;
2. More efficient planning;
3. Better quality-decision making;
4. Faster decision-making;
5. More timely information;
6. Better understanding of the business process;
7. More accurate forecasts; and

On the other hand, 95% of all respondents reported problems associated with LRP. One category of reported problems related to the planning process itself. For example, firms incurred difficulties in obtaining useful input data for generating forecasts; specific problems included the poor quality of data, the lack of timeliness in some data, and the excessive amount of data required in some planning models. The credibility of the planning output was also questioned by many.

The second major problem area related to the behavioral/political aspects of implementing the planning process. These problems originated from communication difficulties among the various levels of management, lack of managerial support, and problems in the coordination of decentralized planning efforts (Ang and Chua 1979, p. 101).

To overcome some of the problems associated with LRP, the authors make the following recommendations:

1. Firms should develop the proper understanding of the role of LRP. This involves an inventory of the benefits to be derived and the corresponding costs;
2. Firms should attempt to foster the suitable corporate environment for formal LRP. This involves the support of the organization at various management levels and functional areas, and obtaining the corresponding resources to carry out the planning efforts;

3. Firms should break away from the idea that long-range plans are simply extrapolations of short-run plans; and

4. Firms should realize that LRP is a dynamic process. Not only may current decisions have long-term effects on future performance, but many decision variables are interdependent (Ang and Chua 1979, p. 102).

In a similarly descriptive study, Kumar (1978) analyzed the responses of (only) 23 firms of different industry classification and size. He too found a large percentage (85%) of firms practicing LRP, 74% of which followed formal planning procedures.

Most of the firms in Kumar's study stated that formal LRP had been a recent development in the firm, with an average length of adoption (of LRP) of 10 years. Informal planning had been used for a long time (Kumar 1978, p. 32).

In discussing basic company goals, Kumar found that annual sales and company growth were considered most important by the firms. Profit ratio-to-equity and earnings per share were emphasized as an indicator of company profitability. Market share and capital structure were viewed as measures of stability.

In terms of the product-market strategies being pursued by the firms, Kumar found that diversification strategies
were most prominent; export and multinational management were of lesser (but incremental) concern.

Generally speaking, Kumar found that firms displayed a stronger preoccupation with financial performance and corporate profits than with employees, customers, or society as a whole (Kumar 1978, p. 33). Similarly to the study by Ang and Chua (1979), Kumar notes the following problems and obstacles in LRP, as reported by the firms:

1. Lack of top management involvement and support;
2. Lack of cooperation from operating units;
3. Difficulties in forecasting;
4. Difficulties in setting goals;
5. Difficulties in the coordination of divisional plans and projects; and
6. Inconsistencies in the follow-up process in LRP (Kumar 1978, p. 33).

The Use of Scenarios in Strategic Market Planning

One of the most comprehensive articles on LRSP practices in the U.S., authored by Linneman and Klein (1979), relates to the use of multiple scenarios by firms. The authors found that between 70 and 227 of the Fortune 1000 industrial companies currently use multiple scenario analysis, or MSA. Most of these companies had been applying MSA for only a few years. In fact, 73% of the ones surveyed had done so for less than 5 years (Linneman and Klein 1979, p. 84).

Linneman and Klein found substantial interest in MSA among current non-users. Among the 167 non-users surveyed, 40 had experimented with scenarios outside the formal
planning process, and 16 (or 10% of all non-users) reported that they planned to use MSA within one year. The authors note that "lack of knowledge" about MSA was a major reason for its non-use among firms, and that larger firms were more likely to currently apply MSA.

In terms of industry classification, there appeared to be a high concentration of MSA users in the processing and aerospace industries. Users thus seemed to prevail in high-technology sectors; they also tended to have higher investment commitments, as measured by asset-to-employee ratios (Linneman and Klein 1979, p. 85).

The planning departments of MSA firms were larger and had been in existence longer than those of non-users. Furthermore, MSA firms were more likely to have longer planning horizons than non-users. However, the planning horizons applied by the majority of respondents overall were shorter (mostly 5 years) than the time frames reported in other studies (Wilson 1973).

Practically all of the respondents in Linneman and Klein's study claimed that their scenarios specifically included at least three types of variables, with measures of economic conditions and technological developments being most frequently mentioned by the firms. Other important factors considered for MSA included political, demographic, ecological, and "other" variables (Linneman and Klein 1979, p. 88).
Management's involvement in the scenario-drafting process increased the perceived value of MSA. In companies where MSA was rated "extremely helpful", management was more likely to be extensively involved in the drafting process (Linneman and Klein 1979, p. 89). Furthermore, the lack of top management involvement seriously undercut the effectiveness of MSA. Both findings coincide with those reported by Ang and Chua (1979).

The Use of Matrices in Strategic Market Planning

**Market Share/Growth Matrix.** Several corporate portfolio techniques have been developed by companies and consultants during the last two decades. They have been designed to help firms in the design of strategies, given companies' objectives, targets, and constraints. The best known technique is probably the market share/growth matrix, which views individual corporations to contain a portfolio of strategic business units, or SBUs. The matrix was popularized by the Boston Consulting Group in the early 1970s. The two main underlying arguments of its proponents are (1) that relative competitive position and market growth are the two fundamental parameters which must be considered in determining the strategy that an individual business should follow, and (2) that strategies should be made to differ widely from business to business (within the same company), reflecting business growth and relative competitive position.
as well as the company's overall resource position (Hedley 1977).

In recent years, critics have maintained that portfolio techniques cannot sort out the sometimes subtle yet strategically important situational characteristics of a business. Derkinderen and Crum (1984) believe that portfolio techniques are too limited and should be placed in a broader financial/strategic context. A tool offered by the two authors is called the Potential and Resilience Evaluation or "PARE" method, which can be used both as a financial valuation framework and for the identification of strategic choices.

In another article, Walker (1984) describes the use of a modified version of the Boston Consulting Group matrix in a multinational manufacturing company in the consumer durables industry. Walker mentions the following problem areas that have to be overcome in making the approach operational for an individual company setting:

1. The definition of business units is difficult;
2. The validity of the data is at best variable;
3. The growth/share matrix does not by itself show how the company intends to respond to the environment;
4. The response to company strategy decisions in terms of returns and profit is not portrayed;
5. Only one competitor is considered for each SBU;
6. A full profile of competitors is not provided;
7. The different characteristics of fragmented (as opposed to concentrated) markets are not differentiated; and

8. Differing market and competitive situations in a multinational environment are not considered (Walker 1984, p. 64).

Other application problems of the BCG matrix have been outlined elsewhere (Coate 1983, Hedley 1976).

Product-Life-Cycle Related Approaches. In an article on product line planning, Wind and Claycamp (1976) present a rather comprehensive portfolio approach, incorporating sales, market share, and profitability --integral measures in various matrix techniques--in an attempt to develop a complete product evaluation matrix. Their proposed matrix goes beyond traditional PLC analysis. The authors point out that hard data on product line sales, market share, and profitability provide management with an on-going performance audit not only of its own products but also of competitors' products.

A different attempt to extend the basic PLC concept has been made by Barksdale and Harris (1982). Their model is based on the proposition that both the pioneering (introductory) and decline stages of the PLC need more attention. The authors argue that both product innovations and products with negative growth are significant to the firm and should therefore not be ignored in strategic market planning.
Directional Policy Matrix. In a review of the Directional Policy Matrix, which originally was developed by Dutch Shell, Robinson, Hichens, and Wade (1978) assert that the basic objective of the matrix is (1) to identify the main criteria by which the prospects for a business sector can be judged as being favorable or unfavorable, and (2) to identify those criteria by which a company's position within a sector can be determined as being strong or weak (Robinson, Hichens, and Wade 1978, p. 9).

Their model defines a favorable situation as one with high industry profit and growth potential. They suggest four criteria by which the profitability prospects for most industries can be judged; they include market growth, market quality, industry situation, and environmental prospects (Robinson, Hichens, and Wade 1978, p. 9).

To assess company competitive capabilities, the authors suggest the following variables: market position, production capabilities, and product research and development (Robinson, Hichens, and Wade 1978, p. 10).

The three authors propose a review of the position of one's own company in relation to that of all significant competitors in the sector(s) concerned. They further point out that the position(s) of the company could be shifted for scenario purposes in order to indicate possible future positions resulting from the implementation of alternative strategy proposals. The authors caution that some of the
company's competitive capabilities may have to be weighted in order to account for company- and industry-specific situations, and to make strategic plans more action-oriented.

In their comparison of commonly used strategic portfolio approaches, Wind, Mahajan, and Swire (1983) found that the 15 SBUs of a Fortune 500 company could be classified differently (in terms of position and strategy guidelines) depending on the specific model being applied. The authors concluded that given the sensitivity of an SBU's portfolio position to the operational definition of criteria dimensions, cut-off points, weighting schemes and the model being used, the risks are high when employing a single, standardized portfolio model as the basis for analysis and strategy recommendation (Wind, Mahajan, and Swire 1983, p. 98). Instead of relying on a single portfolio approach, the authors recommend the integration of various models (and) to take advantage of their unique capabilities.


Setting Goals and Objectives

**Major Dimensions.** Defining a corporate philosophy and its goals, objectives, and policies, is an integral part of
strategic planning. It forms the basis for setting subsequent strategies and implementation programs. Major dimensions according to which corporate objectives and policies may be defined include the following:

1. Growth Objectives;
2. Profit Objectives;
3. Markets and Products;
4. Consumer Satisfaction;
5. Technological Objectives;
6. Social Responsibilities;
7. Personnel Objectives;
8. Organizational Development;
9. Political Relationships; and
10. Ecological/Ethical Responsibilities (Green and Jones 1981, p. 61).

The first six areas listed above seem especially relevant to the realm of strategic marketing. The list largely resembles the dimensions suggested by Drucker as early as 1954:

1. Market Standing;
2. Innovation;
3. Profitability;
4. Public Responsibility;
5. Productivity;
6. Physical and Financial Resources;
7. Manager Performance and Development; and
8. Worker Performance and Attitude (Drucker 1954, p. 63).

The term "corporate philosophy" indicates the general business ethos of an organization and the way it wishes to conduct and portray itself. Corporate objectives, on the other hand, should lend themselves to quantified statements
with desired levels of achievement in the various areas of responsibility.

Green and Jones (1981, p. 61) point out that the degree of formalization and sophistication of the strategic planning process will be different in each organizational setting—a fact that poses difficult problems for empirical research. The concepts and techniques applied in a company must be matched to the strategic area concerned, the data available, and the management ability to interpret data and make decision judgments on the results.

**Strategic Marketing Goals and Objectives.** In his review of LRP practices in U.S. companies, Kumar (1978) reports that firms usually find it most important to set goals in the areas of annual sales and company growth, profitability, and stability (1978, p. 33). Gouy (1978) found the following strategic marketing objectives most important, as being reported by the European firms in his survey: profitability, social relations, market share, expansion, and diversification (Gouy 1978, p. 42).

Other strategic market goals and objectives mentioned in the literature include market penetration (Brandt and Hulbert, p. 12); efficiency (Schendel and Patton 1978, p. 1614); product development (Murray 1979); improvements in the marketing mix (Sethi 1982); market position (Cravens 1982), and others (Kapoor and Singh 1981, Kono 1982).
Goal-Setting Procedures. Goal-setting procedures can be described as being top-down, bottom-up, or dialogue (Dobbie 1974, p. 75). Dobbie makes two important points to clarify the three terms:

1. The terminology of top-down and bottom-up refers only to the first step in the goal-setting procedure. A top-down model could establish goals by decree. Although some goals may originate this way, the formal planning in larger firms is not likely to occur this way very often. At the other extreme, a bottom-up initiation of goals with little review and no formal approval is not a formal planning procedure. Therefore, it is also not likely to be found very often in large firms today.

2. A spectrum of models exists between the above two extremes. Many procedures deal in various ways with the review-phase of formal planning. Thus, practically all models of goal-setting procedures could be described as dialogue models (Dobbie 1974, p. 76).

Dobbie argues that four factors will have a determining influence on the individual planning procedures chosen by firms, namely company size, experience, diversity, and management style.

After goals and objectives have been defined, a set of short-term operational plans and budgets, or action plans, need to be established. The action plan typically includes operational objectives, time schedules, and a list of needed and available resources (Green and Jones 1981, p. 61).

During and after the implementation of action plans, company reviews are necessary to provide information concerning potential problems during the implementation.
process, and to match the company's actual performance against the set targets and objectives. Reviews will also highlight new trends which help either in the achievement of (short-term) objectives or in re-casting the strategic direction of the firm. New trends may also require a set of newly quantified goals.

The review process can be tactical or strategic in nature. When the review is tactical, subsequent action may be in the form of correcting or adjusting some aspect(s) of the marketing plan. A strategic review, on the other hand, may lead to a reassessment of (long-term) corporate goals and a reformulation of strategies.

**Developing Standards and Control Variables.** Planners have to develop criteria and standards (based on marketing objectives) to evaluate the key variables under scrutiny. Since it is impossible to monitor every action needed to implement a given marketing plan, only a limited number of key variables is usually selected for the purpose of periodic review and control.

Luck and Ferrell (1979) define a standard as a criterion or acknowledged measure of comparison. A standard can be a quantitative or qualitative value that is used to judge performance (Luck and Ferrell 1979, p. 419). This definition implies that standards should reflect the uniqueness of an organization and its resources. Since a budget is provided
toward a plan's fulfillment, quantitative budgetary standards are often used as a direct way to maintain control.

Alexander (1985) suggests a set of standards which can measure the extent of successful implementation of strategic plans. He argues that for the purpose of evaluation, companies need to determine the degree to which the actual implementation efforts achieved the initial goals and objectives, and to what extent plans were carried out within the range of available resources initially budgeted for the implementation (Alexander 1985, p. 94).

The human dimensions of a control system are a compounding problem in improving and monitoring performance. Higher performance standards may result in employee apathy, indifference, and alienation (Luck and Ferrell 1979, p. 421). Below are fourteen guidelines for designing a review system which tends to minimize the potentially negative effects of control:

1. Recognize the interrelatedness of individual tasks and company objectives;
2. Limit the number of measures for which standards will be set;
3. Avoid using standards that specify "maximizing" and "minimizing";
4. Assign control responsibilities to the proper level within the firm;
5. Operate on a long-range time span for planning and control to avoid abrupt changes in obtained performance results;
6. Design a control system which is consistent with the managers' leadership style;

7. Tailor approaches to the unique aspects of the organization;

8. Avoid direct hierarchical pressure;

9. Seek reinforcement of economic motives through support of non-economic motives;

10. Promote self-control;

11. Communicate control measures, standards, and company objectives;

12. Build cooperation and teamwork through employee participation in setting goals;

13. Keep open communication channels at all levels of management throughout all planning stages; and


**Designing and Implementing Strategic Plans.** Green and Jones (1981) found that irrespective of the size of companies and their complexity of operations and investments, definitions and interpretations of 'strategy' vary from simple short-term operational plans and budgets to detailed financial plans. The two authors also found that the concepts and techniques which are used to assist in the preparation of strategies are minimal in the case of small companies, but more sophisticated in larger ones. But regardless of size, companies seem to relate predominantly to the quantifiable aspects of strategic planning; social, political, and environmental issues which cannot be easily
quantified do not seem to be widely developed as strategic planning inputs. Firms thus need to reach a formal or informal consensus in defining quantitative and qualitative environmental criteria by which decision-makers can judge strategic issues and choices.

The basic causes for ineffective strategic planning can be summarized through the seven points listed below:

1. Planning is fundamentally a resource allocation process; managers perceive that their power base and career prospects are enhanced by receiving larger shares of resources. Managers thus become advocates of planning for their own position rather than the corporate good;

2. Short-range issues with near-term financial consequences are of far greater importance to most managers than the longer-range issues addressed by strategic planning;

3. The organization's explicit and implicit reward/punishment system is geared toward short-term measures;

4. Most planning requires periods of deep, uninterrupted thought having to do with general, long-range and complex issues. Managers are geared to a work situation in which there are constant interruptions and a general emphasis on short-term problems and their solutions;

5. Many key people do not understand what is expected of them in the planning process, the information they are to provide, the importance of their contribution, or the management tools they are to use;

6. Politics, informal alliances, and friendships among key managers may cause less than optimal planning decisions; and

7. Good communication and dialogue necessary for successful planning are made difficult by the large number of people who must interact (Coe 1984).
Performance Measures in Strategic Planning

Performance—in a strategic planning sense—can be measured only in reference to previously set goals and objectives. To the extent that goals and objectives differ—by country market, company, or individual planner—both the kind of performance measure and the standards which are applied within the same measure will vary. Only to the extent that goals and objectives (e.g., the goal of profitability) overlap among planning units will performance measures and standards be similar.

The measuring of performance has attracted the attention of strategic planning theorists and practitioners alike. Some of the underlying questions discussed in the literature include the following:

1. What are the effects of strategic planning on the firm's performance (Thune and House 1970, Herold 1972, Karger and Malik 1975)?

2. What factors affect general company performance (Schendel and Patton 1978)?


In an attempt to validate an earlier study on performance of formal versus informal planners, Herold (1972)
found that formal planners outperformed informal planners on sales and profit each year over a 7-year period. Herold also found that formal planners significantly outspent informal planners on R & D.

In an earlier study, Thune and House (1970) reported that formal planners significantly outperformed informal planners with respect to earnings per share, earnings on common equity, and earnings on capital employed. More importantly, informal planners did not surpass formal planners on any of the measures of economic performance.

Relying on secondary data readily available for most publicly owned companies, Fulmer and Rue (1974) used the following performance measures: sales growth, earnings growth, earnings/sales ratio, and earnings/total capital ratio. These and similar measures can be characterized as general, aggregate performance indicators, because they relate to the company (performance) as a whole, rather than to specific goals and objectives set during the strategic planning process. The statistical results of their study led Fulmer and Rue to conclude that there is no simple, across-the-board relationship between completeness of long-range planning on one hand, and financial performance on the other.

Fulmer and Rue's findings are in contrast to two earlier studies (Thune and House 1970, Herold 1972) in which the same performance measures were used. The contradictory findings might be due to design and validity problems: Fulmer and
Rue's delineation of firms into 'impoverished planners', 'primary planners', 'pro forma planners', and 'predictive planners' appears to be improperly defined (Fulmer and Rue 1974, pp. 2ff).

Karger and Malik (1975) used a comprehensive set of annual financial data over a period of 10 years to compare the performances of planners versus non-planners. The results of their research strongly suggest that planners outperform non-planners by a wide margin except in areas involving capital spending, stock price, and dividends—all measures not directly linked to company performance alone.

Although profit margin is a useful concept in measuring overall company performance, it is an imperfect measure in the context of strategic planning since it contains no clues about the investments needed to generate future income.

Ratios such as marketing expense/net sales seem more appropriate in examining specific elements of a company's operation and their individual impact on overall performance. A good summary on the use of return-on-investment ratios and other financial performance measures has been published in a 1978 issue of the Harvard Business Review (Reece and Cool 1978).

Day and Wenseley (1983) suggest three classes of determinants of profitability, namely industry forces and strategic group membership, competitive advantage, and operating productivity. The authors note that profitability
is but one partial measure of business performance, and that there exists a variety of "independent" variables which have an impact on performance outcome, whatever the measure of performance may be. Such variables include product life cycle parameters, experience effects, perceived relative product quality and customer satisfaction, market position, and industry entry/exit barriers (Day and Wenseley 1983, p. 87).

The authors criticize the lack of both theoretical and empirical research efforts in the conceptualization of profitability/performance determinants. They also assert that the interrelatedness of influencing factors is often overlooked.

Schendel and Patton (1978) attempted to come up with a mathematical equation model of corporate strategy and performance. Viewing performance as a measure of goal achievement, the authors defined strategic performance as a function of "means" and "environmental constraints" and, further, as a function of controllable and non-controllable variables (Schendel and Patton 1978, p. 1613).

Recognizing the existence of multiple, interdependent goals and a corresponding set of performance measures associated with each goal, Schendel and Patton are quick to point out that the specification of a mathematical equation is a formidable, if not impossible, task. Each company and
industry setting would require its unique performance equation (Schendel and Patton, p. 1614).

The opposite approach to the issue of specificity in performance measures can also be found in the literature. Mendelow (1983) developed a number of very general performance or effectiveness criteria from the perspective of company "stakeholders"—those constituencies in society which hold an interest in an organization, including lenders, shareholders, suppliers, employees, customers, governments, and society as a whole.

One might add that firms operating in foreign markets are subject to higher levels of local scrutiny and are therefore more vulnerable to adverse action by the various constituents. Given the higher complexity and sensitivity of stakeholders in foreign markets, it seems more appropriate to apply more broadly-defined performance measures in such markets.

Strategic Market Planning in the International Context

The acceptance of strategic planning (SP) as a concept varies according to country, and the terms of strategic choices vary according to the different internal and external realities affecting firms. O'Shaughnessy (1984) illustrates these points by describing the use conditions of the market share/growth matrix and Product-Life-Cycle (PLC) concept abroad. The author argues that all strategy perspectives and
planning approaches are influenced by the following notions and assumptions:

1. There is a non-protracted PLC in all markets;
2. Strategic planning is an integral and formalized company function;
3. Companies have a memory bank of experience which can assist them in future decisions;
4. There are no artificial barriers to the attainment of a dominant market position; and
5. Data sharing is acceptable and prevalent (O'Shaughnessy 1984, p. 22ff.)

O'Shaughnessy rejects these notions based on cultural explanations and arguments of countries' differing economic and political realities.

Articles on SP practices abroad abound, both with respect to the practices of U.S. firms in foreign countries and those of foreign firms in domestic and international markets. However, there is a gap in empirical research which deals specifically with strategic market planning (SMP).

Shipley (1985) compared marketing objectives in 108 U.K. and 105 U.S. manufacturing companies. The author found much similarity in planning practice between the two groups of firms. The clear majority of businesses in both countries specified profit variables as their principal objective in both domestic and export markets (Shipley 1985, p. 50). This observation stands in contrast with the traditional view that firms are predominantly concerned with sales volume in
foreign markets, and with profit in domestic markets (Tookey 1964, Cooper, Hartley, and Harvey 1970).

Shipley also found that a large number of both U.K. and U.S. firms specified revenue, volume, and market share objectives in both their domestic and export markets. Nearly all the firms specified annual objectives (Shipley 1985, p. 54). Firms which specified objectives beyond one year most frequently used 5- or 3-year planning horizons, both in the U.K. and the U.S.

Two excellent articles on the state of development in strategic planning of two "newcomers" (i.e., India and New Zealand) are provided elsewhere (Kapoor and Singh 1981, Wright 1982).


Strategic Planning in European Firms. After investigating strategic decision-making in large European firms, Gouy (1978) found that corporate objectives and their development do not differ significantly by the national
origin of firms. Also, no significant differences emerged with respect to the kind of strategic information being sought or the decision processes and techniques in use. Gouy's findings are based on interviews with 55 top managers in 47 firms in Great Britain, West Germany, and France.

Gouy reports that strong correlations generally exist between the main aspects of strategic planning and the type, size, and flexibility of firms. He notes that the level of centralization in the LRP process is directly related to the dependence of the (foreign) firm, with headquarters' control being dominant in the case of highly dependent subsidiaries, and less dominant in more independent (foreign) firms.

Kreikebaum and Grimm (1982) gathered information on the general state of SP systems in German firms. Companies were asked to identify the various functional areas for which SP were being implemented, and to indicate to what extent they thought certain characteristics about SP hold true. Responding firms strongly believed that strategic decisions are exclusively made by corporate management. Respondents also reported placing heavy emphasis on demand (structure) and competitive analysis as inputs for strategic decisions; technological developments and legal aspects seemed less important.

When asked to define planning horizons, the most frequently mentioned time span for LRP was 5 years (35.7% of
respondents), but close to 25% said it was 10 years (Kreikebaum and Grimm 1982, p. 106).

In a similar study on corporate planning and control in German industrial firms, Toepfer (1978) found that 98.6% of the 355 responding firms set up plans for periods of up to 1 year, 90.4% for 2-5 year spans, 34.1% for 6-10 years, and 17.2% had planning procedures which covered more than 10 years (Toepfer 1978, p. 61).

Kreikebaum and Grimm (1982) found that the most frequently used approach among German firms to developing a planning system was bottom-up rather than top-down. Toepfer, on the other hand, reports the following break-down of approaches to planning among the German firms surveyed (Toepfer 1978, p. 60):

<table>
<thead>
<tr>
<th>Method</th>
<th>Number of Firms</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top-down</td>
<td>70 firms</td>
<td>19.7%</td>
</tr>
<tr>
<td>Bottom-up</td>
<td>48 firms</td>
<td>13.5%</td>
</tr>
<tr>
<td>Combination</td>
<td>227 firms</td>
<td>63.9%</td>
</tr>
<tr>
<td>No response</td>
<td>10 firms</td>
<td>2.8%</td>
</tr>
</tbody>
</table>

The difference in results may have been due to the varying measurement instruments (e.g., of "centralization" versus "decentralization") and differences in study design, rather than a contradiction in actual practice as reported by the firms. Toepfer's findings tend to validate Dobbie's argument that most SP approaches are a combination of top-down and bottom-up procedures (Dobbie 1977, p. 76).
In a 1979 article, the authors Keppler, Bamberger and Gabele (1979) describe the structural characteristics of German planning systems and their execution. The authors describe a number of general variables which helped determine the structure and organizational form of such planning systems. The sample of firms in their study included only those firms which had carried out some form of reorganization in recent years (Keppler, Bamberger, and Gabele 1979, p. 70).

In the descriptive part of the article, the authors report on the company domains for which written long-term plans were being developed in the responding firms; Investments, Sales, and Finance were the most important areas for application of short-, medium-, and long-range planning. The inclusion of Product decisions in LRP became more prominent in long- (rather than short-) term planning. While Research & Development plans showed a similar trend, the importance of Purchasing and Manpower planning decreased with longer time horizons.

Keppler, Bamberger and Gabele further report that, on the whole, LRP among German firms is not as widespread as short-range planning; only 35.4% of the 181 companies that were being investigated had engaged in LRP (Keppler, Bamberger, and Gabele 1979, p. 70).

Toepfer (1978) reported that the functional area which enjoys a priority status among German firms in the framework of short- and long-range planning is Sales and Marketing.
Almost 75% of the companies in his study reportedly first develop a marketing/sales plan which later plays a key role in the development of all other functional areas.

After a discussion of important characteristics of LRP systems from a Personnel perspective (e.g., on the extent of participation of top management and other groups in the planning process), Keppler, Bamberger and Gabele develop a theoretical framework for the explanation of planning design characteristics. The three authors reflect on two polarized approaches in organizational theory which identify different generic groups of explanatory variables. One set of theories emphasizes the set of goals of an organization as explanatory variables for planning structure and design. The so-called 'Theories of Departmentalization' (Keppler, Bamberger, and Gabele 1979, p. 76) assume that the division of labor within a firm, and the procedures of its operation, can be derived from the 'overall goal'; overall goals are thus believed to have a strong influence on the design of planning activities according to those theories.

A different set of theories, the authors contend, tries to explain structural characteristics of planning with the help of so-called situational variables which express forces in the environment. This open, dynamic approach emphasizes the relevant environmental segments as well as social and
technological conditions as being generic explanatory variables for planning structure and design.

Both goal/objective variables and situational variables are important elements which must be considered for the explanation of LRP systems. The authors stress that important relationships exist between both sets of variables, and that the requirements made upon the planning system (in terms of the goals and objectives it is to achieve) will be influenced by situational conditions.

With these considerations in mind, the authors introduce two basic functions of planning into a model of "Innovation and Integration" (Keppler, Bamberger, and Gabele 1979, p.76).

The authors state that the innovative function manifests itself in the planning of activities which change a system in a certain way or describe a new system. In this sense, long-range strategic planning can be thought of as a tool of planned change. The integrative function of planning is served when objectives, strategies and policies of planning form a common basis of company members and activities. In that sense, plans are designed to contribute to stabilizing the behavior expectations in view of future events and developments.

In a theory sideline, Keppler, Bamberger and Gabele point to the dilemma which exists between (a) the possibility of and (b) the need for long-term planning under differing environmental opportunities and threats. The authors assert
that the more dynamic the environment, the greater the need to adapt through changes in the organization's objectives, strategies, and policies. At the same time, a highly dynamic environment will restrict the possibility of forecasting long-term developments. The need for and the possibilities of long-term planning are thus diametrically opposed (Keppler, Bamberger, and Gabele 1979, p. 77).

Even though the authors' model could not be substantiated in its entirety, the following results were obtained with respect to the German firms in the study:

1. An increase in the extent of LRP activities was accompanied by more central planning positions or departments; top management likewise became more active. (A similar result was reported by Toepfer 1978, p. 59).

2. The extent of LRP was negatively influenced by the unpredictability of environmental changes. Capital intensity had a positive impact on the extent of LRP, as had company size and the existence of company divisions.

3. For divisional organizations there was a higher incidence of central planning positions or departments than in the case of other organizational forms.

4. The perceived need to find new (or radically new) goals and strategies created a tendency to
   a) form central planning positions/departments;
   b) raise top management's planning participation;
   c) impose more constraints by company management;
   d) involve more external consultants; and

5. The greater the need to describe the functional areas of operation in global terms, the stronger the trend to establish central planning staffs and to bring in outside advisors (Keppler, Bamberger, and Gabele 1979, p. 88).
Strategic and Long-Range Planning for Multinationals

Several recent articles on strategic market planning are concerned with planning on a multinational scale (Joaquim 1979, Sethi 1982, Wright 1982, Hill and Still 1984).

The article by Sethi (1982) discusses the major areas of global planning in the context of multinational corporations (MNCs); the article also summarizes the benefits of both short- and long-range planning. Sethi argues that strategic planning on a multinational level is much more complex than planning for domestic businesses. The MNCs surveyed in his study identified a number of aspects which can cause this complexity:

1. National differences in the essence and rate of change of political, economic, legal, social and cultural environments;

2. More complex (and different) interactions between the firm and these environments;

3. Geographical distance, differences in culture and business practices, resulting in communication problems;

4. Varying availability, depth and reliability of marketing information and processing capability abroad;

5. Differences in industrial structure and business practice and resulting difficulties, for example, in assessing current and future competitive situations; and

6. Significant differences in regional environments and organizations within the same country/market (Sethi 1982, p. 81).
Sethi identifies the following objectives for multinational business planning with respect to profitability and marketing:

1. Profitability:
   a) level of profits;
   b) return on investment, assets, and sales;
   c) profit growth over a given period; and
   d) growth of earnings per share;

2. Marketing:
   a) level of sales;
   b) market penetration;
   c) market share;
   d) product mix and diversification;
   e) new product marketing;
   f) improvements in distribution;
   g) improvements in promotion; and
   h) improvements in marketing services (Sethi 1982, pp. 86-87).

A number of other articles have been written on the aspect of strategic control in multinational businesses (Aylmer 1970, Lorange 1976, Brandt and Hulbert 1977, Prahalad and Doz 1981). Prahalad and Doz (1981) argue that the nature of strategic control by corporate headquarters over subsidiary operations will shift over time: as resources such as capital, technology, and management become vested in the subsidiaries, headquarters cannot continue to rely on traditional control measures as a means of influencing subsidiary strategy. The two authors outline a conceptual framework that can be used as an alternative means of exerting headquarter influence on subsidiary strategy and
operations once the elementary control mechanisms have shifted to the subsidiary.

In an article dealing specifically with headquarter guidance over multinational subsidiaries, Brandt and Hulbert (1977) argue that, with respect to the decision area of marketing, the amount of subsidiary powers is related to the type or nature of decision being made. They found that in most companies of their study, product-related decisions such as quality and mix, brand names, and packaging, were tightly controlled by headquarters. Distribution, pricing, and promotional decisions, on the other hand, were being made more autonomously by subsidiaries, even though great variations in the degree of autonomy remained across the various companies, industries, and countries involved (Brandt and Hulbert 1977, p. 9).

Neither the nationality of parent companies, nor their size (as measured by worldwide sales revenue) revealed any important relationship with the extent of headquarter guidance. In terms of specific area of marketing guidance, European firms provided more advertising assistance, while American firms offered more pricing guidelines, but the differences were not statistically significant (Brandt and Hulbert 1977, p. 10).

The proportion of sales outside the home market also had very little effect on the magnitude of marketing support from the home office. This result stands in contrast to Aylmer's
finding of a "fairly strong relationship" between the percentage of international sales and the (in)dependence of subsidiaries regarding headquarter guidance in the area of high-level decision-making (Aylmer 1970, p. 28).

Brandt and Hulbert also asked managers to describe their primary marketing objective as specified in an operating plan. Nearly two-thirds of the respondents stated their objectives in terms of penetrating or developing existing markets (Brandt and Hulbert 1977, p. 12). Even though three-fourths of the subsidiaries in the sample were being evaluated on the basis of profit, only 8% mentioned profit alone as the primary objective. About 20% of the firms claimed that new market and/or product development were the principal objectives in the operating plan.

A relationship between the nature of strategic objectives and the amount of support received seemed to emerge in Brandt and Hulbert's study: subsidiaries pursuing penetration objectives were given less help in both product-related and promotional decision areas. These same firms obtained more direction for pricing decisions—a crucial area in market penetration plans. Subsidiaries with other stated objectives received more guidance from the home office, but there were no sizable differences among the types of support provided.

In the summary-part of their article, Brandt and Hulbert suggest that studies of multinational business (planning)
practices should avoid exclusive focus on the headquarter perspective. Unless the subsidiary perspectives and situation are considered, important explanatory variables may easily be overlooked.

Similarly to the above authors, McIntyre (1977) recognizes the need for MNCs to gather information on local market conditions in the process of strategic market planning, and to use such information as a basis for developing market objectives and strategies.

McIntyre suggests a strategic market plan which is composed of two parts. The first part would provide data on market size, company market share, competitive position, political/economic factors, and a concluding analysis of problems and opportunities reflecting the present company/market situation (McIntyre 1977, p. 89). The second part consists of a document establishing objectives; strategies; the action(s) required to reach goals in the areas of sales, production, and promotion; and a timetable summarizing the action plans and assigning executive responsibilities.

Appeals for Empirical Research on Strategic Market Planning at Subsidiary Level

Hulbert and Brandt (1980) warn that subsidiary objectives need to reflect the strategic situation of each individual subsidiary. With respect to global strategic market planning, the authors note that obtaining a
differential advantage in any particular market depends directly upon the needs and wants of customers and the competitors' actions in that market. Similarly, the choice of appropriate objectives and strategies is heavily conditioned by such factors as current market share, investment intensity, and market growth rates. Thus, while it may be that MNCs can produce globally coordinated marketing plans and strategies, it would be naive to do so uniformly (Hulbert and Brandt 1980, p. 14).

Despite the apparent need for empirical research on strategic market planning at subsidiary level, very little research has actually been done in this area. This lack of research has also been recognized by others (Farley and Wind 1980, Deshpande 1983, Wind and Robertson 1983).

Wind and Robertson (1983) lament a number of severe shortcomings in the current perspective on strategic marketing. Specifically, they note the following limitations in the majority of research efforts today:

1. A fixation with the brand as the unit of analysis;
2. The interdisciplinary isolation of marketing;
3. The failure to examine synergy in the design of marketing programs;
4. A prevailing short-run orientation;
5. The lack of rigorous competitive analysis;
6. The lack of an international orientation; and
Furthermore, most existing research on strategic market planning is highly descriptive in nature. Planning tools for the assessment of market trends and conditions and company competitive skills have found little empirical research applications in the international context (Walker 1984).
CHAPTER III

THE RELATIONSHIP BETWEEN COMPANY-INTERNAL AND COMPANY-EXTERNAL FACTORS AND STRATEGIC MARKETING OBJECTIVES IN THE STRATEGIC PROCESS

The process of strategic market planning can be divided into three interrelated decision areas and events: planning, action, and control (Luck and Ferrell 1979, p. 9). The flow of decisions and events can be modelled in a three-level flow-chart, as described by Buttle (1985). In his model, Buttle prescribes a "Marketing Strategy Worksheet," consisting of three levels. Level 1 is composed of an internal and external analysis; Level 2 entails the primary decisions upon which the strategy mix of Level 3 is based. The three levels are illustrated in Figure 1.

Buttle notes that the internal analysis (Level 1) comprises an assessment of corporate strengths and weaknesses in the various functional areas of the business, such as marketing, finance, production, personnel, and research and development. The external analysis (Level 1) entails the assessment of the "trading environment"—a firm's competitive position based on suppliers, customers, distributors, agents, as well as its product offering, marketing mix, market position, and other competitive capabilities—and the "macro environment"—the non-controllable or market-external
factors, such as technological, social, political, and economic issues.

Figure 1

The Strategic Market Planning Process

Level 1: Analysis
- Internal
- External

Level 2: Primary Decisions
- Corporate Objectives
- Marketing Objectives
- Demand Management
- Target Market Definition
- Positioning Statement

Level 3: Marketing Strategy
- Product Strategy
- Pricing Strategy
- Promotional Strategy
- Distribution Strategy


At the next level (Level 2), important marketing objectives are set, which include decisions on market share, sales, market penetration/development, and profitability, as well as decisions on market positioning—the way a company would like customers to perceive the firm and its offering.

Another approach to the strategic market planning process has been offered by Murray (1979). Murray conceives of business organizations as being embedded in a wide
environment with three "layers of specificity", namely the macro-environment, the organization's publics, and its core environment (1979, p.79). According to Murray's model, the information of the three "layers" of environment are scanned, filtered, and amplified by firms through the strategic marketing system.

Both Buttle and Murray emphasize that there is a close link between the firms' environment and the setting of SMOs, and that the SMOs form the primary company decisions following the internal/external analysis and the establishment of corporate objectives.

The authors also strongly suggest that a firm's quantified SMOs have to harmonize with the firm's current and projected market position, its competitive strengths and capabilities, and with market developments, both short- and long-term.

A mismatch between market realities and the firm's SMOs can be dangerous, since the selected objectives will heavily shape the development of subsequent strategies. Strategic marketing objectives form the basis of performance evaluation after the strategies have been implemented, since the success of the implementation is measured by the extent to which the objectives have been met. The wrong set of objectives can thus lead to the wrong set of strategies, which in turn may result in performance (or goal achievement) levels that fall short of expectations.
The theoretical model which was developed for the purpose of this dissertation applies specifically to the strategic process in foreign markets. The model is shown in Figure 2. Only those elements in the model that fall within the square (solid lines) will be addressed in the dissertation. The other elements, i.e., "Strategies", "Implementation", and "Performance", are included only to illustrate the process in its entirety.

Description of the Model

There are two dimensions in the model. One is called "Locus of Control"; the other is a string of events which reflect the various stages of the strategic market planning process. This latter dimension is divided into three elements, namely "Situational/Environmental Factors", "Decisions", and "Outcomes".

The elements within the square (solid lines) are arranged to reflect both the time-sequence of strategic market planning events (or at least conceptually separate events), shown horizontally from left to right, and the extent to which market forces and/or the firm shape such events, indicated by the vertical continuum on the left. The mid-point of the "Locus of Control" is illustrated by the dotted horizontal line. A brief discussion of the position of the four main constructs in the model follows below.
Figure 2 -- Short- and Long-Range Planning in the Firm: Setting Strategic Marketing Objectives in Foreign Markets
Company Demographics. Company demographics can be viewed as both "Situational/Environmental Factors" and as "Decisions" made by firms. At any given point in time, a company's "demographics" can be assumed constant, since company size, major industrial classification, and primary markets served cannot be changed in the short-run. (Since the dissertation is not a longitudinal study, "Company Demographics" are treated as constants). One quickly needs to point out, though, that this assumption of "no change" has to be relaxed when company demographics are surveyed over any length of time: a company may very well decide to change its size, organizational structure, and the markets it serves, be it as a response to changes in competitive and market conditions, or to implement strategic decisions.

In relation to the other three constructs in the model, company demographics are controlled to a larger degree by the firm than by market conditions, at least in the short run. Over the long-run, market forces may gain in influence, and the relative position of "Company Demographics" in the model could be better reflected when moved up vertically.

Market Conditions/Attractiveness. As the names of these constructs imply, market conditions/attractiveness are largely determined by the market. However, it is equally true that firms have to decide which markets to serve or enter. Since firms are more likely to choose attractive
markets with a high(er) potential for growth, companies indirectly "determine" the attractiveness of a market. In a strategic sense then, "Market Conditions/Attractiveness" in part reflect (or form) decisions made by the firm.

**Competitive Position/Capabilities.** The competitive position/capabilities of a firm can hardly be classified as "Situational/Environmental Factors". Firms have to decide on what basis to compete, and which capabilities to stress in order to appeal to target markets and to differentiate themselves from competitors.

A firm's competitive position in an industry and its capabilities in a given product-market can change in the short-, medium-, and long-run. Changes in position can be brought about by other firms' entry into or exit from the product-market, or by increased product/market development efforts by the firm (or similar efforts of other firms). The competitive position/capabilities of a specific business unit (or SBU) may also change because of altered corporate capabilities, which could be induced, for example, through improved sales, revenue, asset utilization, or better positions in other markets.

To the extent that firms have little or no control over the number and strength(s) of competitors, their competitive position is (also) determined by the "Market".
Strategic Marketing Objectives. The need for a firm's SMOs to harmonize with competitive and market conditions and trends is illustrated in the model by the long "stretch" of the term: "Strategic Marketing Objectives" are located closer to the "Firm", indicating that it is the firm who is providing the primary decision-input in developing SMOs, but also reminding us that such "Decisions" need to incorporate current market conditions and future trends.

In a nutshell, the author's research tries to find an answer to the question: from a strategic market planning perspective, how closely located are "Market Conditions/Attractiveness" and "Competitive Position/Capabilities" on one hand, and "Strategic Marketing Objectives" on the other?

The dissertation of the present author tries to address some of the shortcomings addressed at the end of the last chapter by conducting an empirical research effort with the following characteristics:

1. The strategic business unit (SBU)/product line as the unit of analysis;
2. The integration of strategic marketing objectives into a theoretical framework of the strategic planning process;
3. Both a short-run and long-range perspective;
4. The treatment of competitive analysis in the context of strategic market planning;
5. An international orientation, investigating American subsidiaries and joint ventures of German firms.

Figure 3 on the next page shows the theoretical constructs in the study, and how the constructs can be related in a model. None of the measures as portrayed in the model have been applied in previous empirical research studies. However, the widespread use of similar constructs and the discussion of their theoretical relationships in the strategic market planning literature warrants the inclusion of such measures in an exploratory study.

Statement of Hypotheses

To address the major questions of the research, the following substantive hypotheses will be tested. After carrying out each hypothesis test, the corresponding null hypothesis will either be rejected or not rejected. (All of the following hypotheses relate to U.S. subsidiaries and joint ventures of German firms and to their most important product line in the U.S.)

There are two sets of hypotheses. The first set includes hypotheses stated for 1987; the second set corresponds to the year 1992. In each set, hypotheses are grouped according to their corresponding dependent variable.

The alternative or substantive hypotheses are represented as "H_A". The null hypotheses are designated as "H_0".
Figure 3 -- Model of Proposed Unobservable and Observable Constructs
Set One of Hypotheses: 1987

**Sales Objective**

**H1a**: There are differences in the level of company-stated sales objectives for 1987 relative to 1986, given differences in perception of company competitive capabilities in 1986 relative to competitors.

**H10**: There are no differences in the level of company-stated sales objectives for 1987 relative to 1986, given differences in perception of company competitive capabilities in 1986 relative to competitors.

**H2a**: There are differences in the level of company-stated sales objectives for 1987 relative to 1986, given differences in perception of industry-specific market conditions in 1986.

**H20**: There are no differences.

**H3a**: There are differences in the level of company-stated sales objectives for 1987 relative to 1986, given differences in perception of external (general) market conditions in 1987.

**H30**: There are no differences.

**Profit Objective**

**H4a**: There are differences in the level of company-stated profit objectives for 1987 relative to 1986, given differences in perception of company competitive capabilities in 1986 relative to competitors.

**H40**: There are no differences.

**H5a**: There are differences in the level of company-stated profit objectives for 1987 relative to 1986, given differences in perception of industry-specific market conditions in 1986.

**H50**: There are no differences.
H6A: There are differences in the level of company-stated profit objectives for 1987 relative to 1986, given differences in perception of external (general) market conditions in 1987.

H60: There are no differences.

Market Share Objective

H7A: There are differences in the level of company-stated market share objectives for 1987 relative to 1986, given differences in perception of company competitive capabilities in 1986 relative to competitors.

H70: There are no differences.

H8A: There are differences in the level of company-stated market share objectives for 1987 relative to 1986, given differences in perception on industry-specific market conditions in 1986.

H80: There are no differences.

H9A: There are differences in the level of company-stated market share objectives for 1987 relative to 1986, given differences in perception of external (general) market conditions in 1987.

H90: There are no differences.

Strategic Objective: Market Penetration; Market Development; Product Development; Diversification

H10A: There are differences in the reported single most important strategic marketing objective for 1987 (i.e., market penetration; market development; product development; diversification), given differences in perception of overall company position relative to industry in 1986.

H100: There are no differences.
H11A: There are differences in the reported single most important strategic marketing objective for 1987 (i.e., market penetration; market development; product development; diversification), given differences in perception of industry-specific market conditions in 1986.

H110: There are no differences.

Strategic Objective: Market Share vs. Profitability

H12A: There are differences in the reported single most important strategic marketing objective for 1987 (i.e., market share vs. profitability), given differences in perception of overall company position relative to industry in 1986.

H120: There are no differences.

H13A: There are differences in the reported single most important strategic marketing objective for 1987 (i.e., market share vs. profitability), given differences in perception of company competitive capabilities in 1986 relative to competitors.

H130: There are no differences.

H14A: There are differences in the reported single most important strategic marketing objective for 1987 (i.e., market share vs. profitability), given differences in perception of industry-specific market conditions in 1986.

H140: There are no differences.

H15A: There are differences in the reported single most important strategic marketing objective for 1987 (i.e., market share vs. profitability), given differences in perception of external (general) market conditions in 1987.

H150: There are no differences.
Set Two of Hypotheses: 1992

Sales Objective

H16a: There are differences in the level of company-stated sales objectives for 1992 relative to 1986, given differences in perception of external (general) market conditions in 1992.

H160: There are no differences.

Profit Objective

H17a: There are differences in the level of company-stated profit objectives for 1992 relative to 1986, given differences in perception of external (general) market conditions in 1992.

H170: There are no differences.

Market Share Objective

H18a: There are differences in the level of company-stated market share objectives for 1992 relative to 1986, given differences in perception of external (general) market conditions in 1992.

H180: There are no differences.

Strategic Objective: Market Penetration; Market Development; Product Development; Diversification

H19a: There are differences in the reported single most important strategic marketing objective for 1992 (i.e., market penetration; market development; product development; diversification), given differences in perception of overall company position relative to industry in 1992.

H190: There are no differences.
Strategic Objective: Market Share vs. Profitability

**H20**<sub>A</sub>: There are differences in the reported single most important strategic marketing objectives for 1992 (i.e., market share vs. profitability), given differences in perception of overall company position relative to industry in 1992.

**H20**<sub>0</sub>: There are no differences.

**H21**<sub>A</sub>: There are differences in the reported single most important strategic marketing objective for 1992 (i.e., market share vs. profitability), given differences in perception of external (general) market conditions in 1992.

**H21**<sub>0</sub>: There are no differences.
CHAPTER IV

RESEARCH DESIGN AND METHODOLOGY

Data Collection Method

Data for this research were collected through a mail survey. This technique was the only economically feasible alternative, given budgetary restraints and a large sample base. A major shortcoming of this data-collection approach is that the researcher has little control over survey response rate. Other problems include respondents' guessing, inattention, disinterest, fatigue and lapses of memory, transient emotional states, and inability or unwillingness to answer truthfully (Kerlinger 1973, p. 312).

The Population

The population of the study consists of W. German firms that operate in the U.S. on the basis of either joint ventures or wholly-(majority) owned subsidiaries.

Domestic operations in W. Germany have been excluded from the study for two main reasons. First, executives in the responding firms are more likely to provide accurate data on their major line of business in the U.S. Second, the research issues could not have been covered in a comprehensive manner in a single questionnaire if the firms' domestic and foreign operation(s) had been included in the
design. However, the author is well aware of the need for (and lack of) empirical research at both headquarter and subsidiary level. The choice of population reflects the limited scope of the dissertation.

Sample Selection and Estimated Population Size

While there are several directories available that list German firms operating in the U.S., the task of estimating the number of German (or any other foreign) firms on location in the U.S. is difficult. This is because some firms may not want to publicize their presence in (foreign) markets, while other companies that are small and/or privately owned may never find their way into a published directory. Estimates of the number of foreign firms operating in the U.S. thus remain somewhat unreliable. The choice of directories for the present research has been recommended by the U.S. Department of Commerce (Telephone interview, April 4, 1986). Accordingly, a list of companies has been taken from the 1986 and 1984 editions of American Subsidiaries of German Firms (German-American Chamber of Commerce 1986 and 1984); an additional source has been the 1986 edition of Foreign Firms in the U.S.: W. Germany (World Trade Press Academy 1986).

The 1986 edition of American Subsidiaries of German Firms lists 1,620 firms, including local offices and branches; firms that were not listed there, but which appeared in the other two directories, totalled 58.
The number of German firms listed in the three directories probably falls short of the actual number of companies, even though the German-American Chamber of Commerce has indicated that their 1986 directory is 85-90% complete (Gunter Nitsch, August 6, 1986). Other sources estimate the total population of firms to be over 2,000 (Dallas Morning News, December 1, 1986).

Reflecting the purpose of the study, only the main company location in the U.S. was considered; i.e., local branches and sales offices were excluded from the sample selection. This procedure avoided duplicate responses from the same corporation, and assumed that information pertaining to the firms' strategic market planning could most accurately be obtained from the companies' main office or headquarters in the U.S.

Following this guideline in the sample selection process, a total of 999 company addresses were taken from the published directories, and an attempt was made to collect data from all the firms.

**Description of the Measurement Instrument**

An original questionnaire was developed for the mail survey and pretested with a convenience sample of four executives of four different German firms operating in the Dallas-Fort Worth area. The purpose of the pretest was to ensure that respondents interpreted the questions and
instructions for response correctly, and that they did not have difficulties with the overall design of the questionnaire. The questionnaire was revised one final time to incorporate the executives' suggestions which, for the most part, were minor.

Description of the Questionnaire. In Section I of the questionnaire, respondents are asked to identify the Standard Industrial Code (SIC) that best describes the main business of their company's U.S. operations. Respondents are also asked to name the firm's most important product line in the U.S. market with the following criteria in mind: annual unit sales volume; annual dollar sales volume; annual company profits; strategic significance; and overall importance. Survey participants are then instructed to answer all remaining questionnaire items as they relate to the company's most important product line in the U.S.

Section II consists of six statements or scenarios, each describing a different industry position which firms might hold relative to competitors. Respondents are instructed to pick the one scenario that best describes their company situation in 1986. The same scenarios are then given for 1992, and respondents are asked to indicate which scenario best fits their anticipated situation by 1992.

Section III contains 21 statements relating to current (1986) and future (1992) market conditions and aspects of
company competitive capabilities, such as production process and capacity, research facilities, and supplier access. Respondents are instructed to indicate their level of agreement or disagreement by circling the corresponding number that best describes their situation on each of the statements. Six-item Likert-type scales were employed for all 21 statements in that section.

Section IV consists of two parts. In the first part, survey participants have to rate their company's competitive capabilities relative to competitors on 6-item Likert-type scales. In the second part, respondents are asked to rate industry-specific market conditions in terms of their impact on the firms' main product line. The same type of scale is used, with answers ranging from "extremely negative" to "extremely positive". Respondents can also mark "no impact" on all statements.

Sections V and VI deal with external (general) market conditions or factors and their perceived impact on the firm. In Section V, respondents are asked to circle the "number" (for each statement) that best describes how the various external factors listed would affect their company's most important product line in 1987. The given values range from "very negative impact" to "very positive impact".

Section VI repeats the same procedure for the year 1992. It should be noted that respondents could mark the answer "do not know/no opinion" on all questionnaire items in
Sections III-VI, and on items 87-100 in Section VIII. All cases of "do not know/no opinion" were excluded for the purpose of hypothesis testing.

Section VII lists a number of strategic marketing objectives for 1987 and 1992. Respondents are asked to name the one objective (separately for each year) that represents the single most important one for the company's main product line.

Section VIII is also concerned with marketing objectives: for the years 1987 and 1992, respondents have to indicate whether their sales-, market share-, and profit-objectives are "lower", "the same", or "higher" than in 1986. Respondents can also mark the answer "we do not have or set this objective"; cases with this answer were excluded for the purpose of hypothesis testing.

Section VIII also asks survey participants to indicate whether maintaining/improving (1) "market share" or (2) "profitability" represents their most important objective for 1987 and 1992, respectively.

In Section IX, finally, respondents are asked to provide information on company "demographics", such as business "functions performed on location", customer type served, the number of years of operation in W. Germany and the U.S., the number of countries served worldwide, the number of states served within the U.S., and the level of company employment (worldwide, in the U.S., and on respondent location).
The questionnaire ends with a thank-you note and instructions for returning the completed questionnaire. Respondents are also reminded that the questionnaire(s) can be returned anonymously and that they can receive a summary of results upon request.

Administration of the Survey

A multi-step data collection procedure was used that largely followed the structured approach recommended by Dillman (1978). What follows is a brief outline of the data collection procedure as it took place.

A prenotification letter was sent to all 999 firms on October 24, 1986. The letter contained information about the purpose of the study and an invitation to participate in the survey. The prenotification letter is shown in Appendix A.

The actual questionnaires were mailed on October 31, 1986. Each questionnaire mailing contained a stamped, self-addressed return envelope for the return of completed questionnaires. Also included were a cover-letter giving assurance of anonymity and confidentiality, an offer to prospective respondents to receive a summary of the survey results, and instructions for completing and returning the questionnaire. Both the cover-letter and the questionnaire are shown in Appendix B.
Two separate reminder letters were sent on November 7 and November 17, respectively; they are reprinted in Appendices C and D.

Respondents' names and company titles were used in all mail-outs in an attempt to personalize the request for survey participation as much as possible. Such personalization efforts have been shown to improve mail-survey response rates (Dillman 1978). If individual respondents' names were not available, all correspondence was addressed to the president of the corporation. All letters and questionnaires were sent via first-class mail.

Response Rate

Of the 995 questionnaires that were mailed (i.e., 999 minus 4 pretests), 31 were sent back to the researcher "undeliverable", and 33 respondents were unable to participate in the survey. Of those 33 respondents, 17 reportedly were not German (-owned) firms, 7 were "out of business", 4 engaged in research only (no marketing activities or functions performed), 1 firm had its markets exclusively outside the U.S., and 3 were holding companies for more than one firm; one additional organization was excluded because of the nature of its "business" (Economic Development Corporation for a German city).

A total of 354 usable questionnaires was received by the author by December 31, 1986—the cut-off date for responses.
(Only two additional questionnaires have been received as of April 11, 1987; they were excluded from the data analysis). The response rate of usable questionnaires thus came to 38% (354 divided by 931).

A total of 59 companies wrote to the author only to decline to participate in the survey. If these 59 respondents are incorporated into the response rate calculation, the total response rate ("any response") was 46.3 percent. Figure 4 shows the calculation of response rates and lists the number of firms that were taken off the sample base for the reasons mentioned above. It also lists the various reasons why respondents "refused" to participate in the survey.

<table>
<thead>
<tr>
<th>Reason</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pretest</td>
<td>4</td>
</tr>
<tr>
<td>Undeliverable</td>
<td>31</td>
</tr>
<tr>
<td>&quot;Not German&quot;</td>
<td>17</td>
</tr>
<tr>
<td>&quot;Out of business&quot;</td>
<td>7</td>
</tr>
<tr>
<td>&quot;Market outside U.S. only&quot;</td>
<td>1</td>
</tr>
<tr>
<td>&quot;Holding Company for more than one firm&quot;</td>
<td>3</td>
</tr>
<tr>
<td>&quot;Economic Development Corporation&quot;</td>
<td>1</td>
</tr>
<tr>
<td>&quot;No marketing / only research&quot;</td>
<td>4</td>
</tr>
</tbody>
</table>

Total number of firms taken off the sample base: 68
Figure 4 (cont.)

"Usable Questionnaires"  354
Response Rate =  -------------- X 100 =  38%
999 - 68

"Refused"

"Does not apply" ---------------------  16
Travel Agency ------ 1
Hospital Care ------ 1
"No manufacturing" - 1
Other -------------- 13

"Declined to participate" -----------  43
"Against company policy" - 5
"To avoid duplication" --- 6
"No time/too busy" -------13
"Too confidential" ------- 6
"We are too small /
not representative" ----- 4
"Out of the country"------  3
Other ------------------------ 6

Total of non-participating respondents =  59

354 + 59 + 68 -35  = 446
"Any Response" Rate =  ----------------- = --- = 46.3 %
999 - 35  964

Non-Response Bias

The questionnaires did not contain any identification codes. Such an identification would have made it easier to measure non-response bias. However, the author did not follow this practice for two main reasons: (1) given the sensitive nature of some of the questions, it was assumed that the response rate would be higher if no such
identification method was used, and (2) the executives of the firms were assured of absolute anonymity; the use of identification numbers would have made it difficult to live up to this promise of anonymity.

An attempt was made to get at least some indication of the non-response bias. U.S. employment data from survey respondents were compared with population employment data. The results of the t-test indicated that the difference in means was statistically insignificant.
CHAPTER V

TEST OF HYPOTHESES

The purpose of this chapter is to report the findings of the hypothesis tests and to interpret the results. The first part of the chapter provides a profile/description of the sample firms based upon simple frequency runs of all questionnaire items. The second part presents the findings of the data analysis and a discussion of the hypothesis-specific research results.

Description of the Final Sample:
Demographics of Respondents

Industry Classification. Of all 354 responding companies in the survey, 308 (or 87%) represented firms that sell manufactured goods in the U.S.; 46 (or 13%) were service firms.

Manufacturing Firms. Within the group of manufacturing firms—a total of 301 cases—the single largest category was Non-Electrical Machinery (26.2%). Other industries strongly represented in the survey included Electrical and Electronic Machinery (13.3%), Fabricated Metal Products (13.3), Chemicals (10.1%), and Transportation Equipment (5.9%). Together, these five categories made up for over two-thirds (68.8%) of all firms selling manufactured goods in the U.S.
This same "group of 5" represented slightly over half of all survey respondents.

Service Firms. Among the 46 service organizations, those firms selling Financial, Insurance, and Real Estate Services were the largest group (30.4%). Other categories widely represented included Transportation and Public Utilities (19.6%), Wholesale Trade (10.9%), and Mining (8.7%).

The results in the frequencies distribution of industry classifications suggest that the firms surveyed adequately represent the population of German firms with foreign direct investment (FDI) positions in the U.S. (U.S. Department of Commerce August 1986, p. 79).

Number of Product Lines Sold in the U.S. The majority of firms (64.5%) is selling more than one product line in the U.S. About 35% of respondents indicated that they sell only one product line.

A total of 193 firms specified the number of product lines being sold; 169 firms (or 87.6%) reportedly sell 10 or fewer product lines here. Furthermore, 121 firms (or 62.7%) sell between 2 and 4 product lines in the U.S.

Significance of Product Line(s). Respondents were asked to name their single most important product line in the U.S. in terms of five criteria: annual unit sales volume; annual
dollar sales volume; annual company profits; strategic significance; and "overall". A total of 315 firms provided information on this question.

It is interesting to note that of those firms which volunteered to name the "most important product line" in terms of all five criteria (n = 257 firms), the majority (177 firms, or 56.2%) named the same product line for all the criteria listed.

**Business Function(s) Performed on Location.** The questionnaire listed seven distinct company functions from which respondents could choose. In naming the business function(s) being performed by the firm on location, respondents could mark a combination of (various) functions. The answers are thus not mutually exclusive.

About half (47.7%) of all respondents said they performed "Distributor" functions at their specific company location (52.3% thus reportedly did not perform this function). Slightly more than one-fourth (26.7%) of all firms were "Original Equipment Manufacturers".

About one-third of all firms performed "other" manufacturing functions on location. This relatively small percentage of firms with manufacturing facilities on location implies that the majority of German firms in the U.S. import their products from Germany or other country origins.
Only 20.6% of all firms reportedly performed "Purchasing" functions at their locations. Even fewer firms (17.7%) classified one of their functions as being a "Manufacturer's Representative". About half (51.7%) said their company performed the function of "Sales or Branch Office". And slightly less than half (47.4%) reported their function as "Service Facility".

Customers in the U.S. An interesting finding was that only one-fourth of all responding firms reportedly sell their products to (other) American subsidiaries of German firms, and, furthermore, that almost all firms (91.1%) sell to U.S. firms. Only 34.9% reportedly sell to U.S. final consumers.

Thus, based on the results of this survey, we might conclude that the primary target market of most German firms doing business in the U.S. consists of industrial companies. This conclusion is supported by the large number of machinery-producing companies in the survey, as reported earlier.

Number of Countries Served by Parent. When asked to identify the number of countries being served by their parent companies, only 10.5% of all respondents indicated that number to be 10 or less. About half of all respondents' answers fell between 20 and 80 countries; the mean was 52 countries. A relatively large number of firms (25%) sell to more than 80 countries.
The results indicate that the vast majority of German-owned firms in the U.S. is well-versed in international business operations—a result that is not surprising given the historically large number of internationally-oriented companies in Germany and Western Europe in general.

**Number of Years of Operation.** The sizable experience of the (average) firm is also reflected in the number of (reported) years of operation in Germany: the mean number of years was 82! Only about 10% of all responding firms had operated there for less than 25 years. The majority (about two-thirds) has had operations in Germany for 50 years or more.

The number of years of operation in the U.S. is understandably much smaller: pre-1974 German FDI positions in the U.S. are negligible, and a real surge of investments did not occur until the late 1970s and early 1980s (Kleinknecht 1981). The mean number of years of operation in the U.S. was 17. Roughly one-fourth of all firms has been operating here for 20 or more years.

**Number of States Served Within the U.S.** When asked to identify the number of U.S. states being served from respondents' specific location, the overwhelming majority (85.4%) marked "more than 15 states". This result indicates that the "typical" U.S. subsidiary operates on a nationwide
scale. Only 9.4% of all respondents indicated that the number of states was 10 or lower.

Company Size (Employment). The reported size of companies' employment world-wide implies that international business activities are not the exclusive domain of giant firms: about half of all responding firms indicated that world-wide employment in 1986 was 1,500 or less. The mean number of employees was 20,600, while roughly two-thirds of the firms employed fewer than 4,500 people.

Company employment in the U.S. seemed comparably small: half of all responding firms indicated that the total number of company employees in the U.S. was 60 or less. However, the mean number of employees was 1,280. About 20% said that the level of company employment was 550 people or more.

Respondents were also asked to specify the number of employees at their specific company location. About 50% of all respondents indicated that employment was 35 or less; the mean number of employees was 174. The relatively large difference between the employment levels "on location" and "nationwide" may hint at a fairly dense distribution network in the U.S. German firms operating in the U.S. seem to have several subsidiaries and/or sales and branch offices. The earlier finding on the number of firms which reportedly perform the function of "Sales or Branch Office" (51.7% of
all firms) tends to support this interpretation of survey data.

Description of the Final Sample: Responses to Research-Specific Questions

Company Position Relative to Industry. When asked to mark one of six statements or scenarios, each describing a different company market position in 1986, the largest group of respondents (28.9%) felt that there was a market leader in their specific industry, but that it was not their firm.

On the other hand, 31.2% of respondents indicated that their company was either the technical leader in the industry (13.0%), or that they held the largest market share (18.2%); 23.4% felt there was no market leader in their industry and that they were a major producer. Very few respondents felt that no firm had the ability to "directly shape industry direction or the individual strategies of firms" (9.2%), or that they were only a minor producer (7.2%).

Close to half of all respondents (44.5%) predicted that their company would hold a leader position in the U.S. by 1992, either in terms of market share (28.6%) or technological leadership (15.9%); 26.3% anticipated a "major producer" position in 1992.

It is interesting to note that the number of respondents in the first three answer categories in the questionnaire is high for both 1986 and 1992 (54.6% vs. 70.6%). These categories all indicate very strong market positions.
More significantly, perhaps, is the fact that the responding firms are, on the average, anticipating a (further) improvement in their overall position by 1992.

**Production Process in the U.S.** Of the 285 usable responses, 37.5% indicated that companies did not "employ a very modern production process" in the U.S. market.

The results here might be somewhat misleading, since the majority of responding firms does not engage in manufacturing operations in the U.S.; i.e., the above response may have occurred because production takes place in Germany or elsewhere.

**Research and Development Facilities.** More than half of the responding firms (52.5%) reportedly do not have R & D facilities in the U.S. to "keep up with future advances in production technology". As before, this result may be misleading, since only about one-third of respondents actually manufacture in the U.S., with most R & D facilities probably being located in W. Germany. In fact, a clear majority of respondents rated their companies' R & D capabilities as "very strong" (71.2%).

**Production Capacity and Access to Suppliers.** About three-fourths (75.9%) of all respondents indicated that their production capacity is sufficient to maintain their present market share in the U.S. But only about half (46.2%) of
respondents currently have sufficient production capacity to increase their market share "without the need for additional capital outlays".

The vast majority (87.5%) of firms reported that their planned production capacity for 1992 will allow them to expand market share in the U.S.

Similarly, very few firms foresaw a problem in their access to suppliers to sustain (9.5%) or increase (13.8%) their U.S. market share between 1986 and 1992.

A clear majority of respondents (73%) felt that their major suppliers in the U.S. are "highly cost-competitive".

**Market Conditions.** Respondents were almost evenly divided on the issue of current U.S. market conditions: 44% agreed with the statement "U.S. market conditions in our industry are very attractive in 1986"; 56% disagreed.

The majority of respondents (76.6%) believed that conditions in 1992 will be better than in 1986. However, close to half (41.8%) disagreed with a statement saying that U.S. market conditions will be "excellent" in 1992.

**Ease of Market Entry.** There was a strong consensus among respondents concerning the ease of market entry: 88.4% of respondents disagreed with the statement "it is easy for new firms to enter the line of business we are in". Close to half (46.2%) of all respondents "strongly" disagreed.
Product- and Customer Substitutability. The majority of firms (65%) reported that the substitutability of their main product line was high. This somewhat dismal outlook was enhanced by the fact that only 16.4% of all respondents indicated that they could "easily find a new customer base if current customers were to stop buying" from them. Most firms thus seemed rather vulnerable to inroads from competing firms. The latter result on customer substitutability might also indicate that the customer base of German-owned firms in the U.S. is highly specific/specialized.

Industry Segments and Growth Rates. Only a minority of respondents (28.1%) "agreed" that 1986 industry growth rates are "very high". About 35% of all respondents anticipated high growth rates for 1992.

On the other hand, 77.4% of all survey participants believed that there are some industry segments with a high unrealized potential for sales in 1986. Similarly, more than half (57.8%) of all respondents felt that there will be "many" industry segments offering a high sales potential in 1992.

The majority of participants (63.7%) perceive "still many industry applications for their main line of business" showing a high potential for sales; and about half (48.2%) of all responding firms believe there will be "many newly developing industry applications" over the next five years.
Company Competitive Capabilities. In terms of perceived market position—relative to direct competitors—responses indicated that, on the average, firms either felt "about even" with competitors or perceived a clear edge over competing firms.

In the following areas, respondents, on average, felt "at par" with the competition. (The percentages shown in parentheses indicate the relative number of respondents reporting a favorable/better market position relative to competitors).

- Company Market Share (51.5%)
- Company Cost Structure (51.6%)
- Promotional Capabilities (49.6%)
- Promotional Effectiveness (49.9%)
- Distribution Coverage (56.1%)
- Product Price Level(s) (45.9%)
- Pricing Flexibility (57.4%)

In the areas following below, however, respondents reportedly perceived a clear edge over competing firms:

- Product Quality and Design (95.6%)
- Company Technological Standing (91.5%)
- Suppliers' Performance (79.5%)
- Cost-Efficiency of Distribution (65.0%)

It should be noted that a number of respondents reportedly did not know/had no opinion on their company's relative competitive capabilities or market position; the percentage of such responses was relatively high in the areas of cost-efficiency of distribution (14.6%) and suppliers'
performance (22.7%). The fact that respondents "admitted" to not knowing about some aspects of their (and competitors') relative market position tends to give a high(er) credibility/reliability to respondents' other ratings. In other words, it seems reasonable to assume that respondents did not give any rating if they lacked adequate knowledge in a particular area of relative market position, as presented in the questionnaire.

**Industry-Specific Market Conditions and Their Perceived Impact on Product Line Performance in 1987.** A total of eight statements in the questionnaire related to current industry/market conditions. Respondents were asked to rate their perceived impact on the company's most important product line. Almost all respondents (over 90%, on average) felt that their main product line was indeed affected by (the various aspects of) market conditions; i.e., very few had marked "no impact" on the corresponding question(s) in the questionnaire.

Generally speaking, respondents felt that the impact of market conditions on their main product line has been unfavorable. The relative number of these "negative" responses for the various areas is shown below:
Industry Cost Fluctuations (74.1%)
Power of Direct Competitors (73.4%)
Number of Direct Competitors (72.2%)
Market Price Stability (62.2%)
Industry Demand Fluctuations (61.9%)
Level of Market Saturation (60.8%)
Industry Profitability (59.9%)
Overall Market Stability (55.5%)


Since business organizations exist and operate in a wide environment of economic, social, and political realities, they are affected not only by industry-specific conditions, but also by more general issues and developments, both country/market-specific and worldwide.

Respondents were asked to rate the impact of several market-external factors on product line performance. The list of factors in the questionnaire was made up of three main parts: (1) Conditions/Developments Worldwide; (2) Conditions/Developments in the U.S.; and (3) Conditions/Developments in W. Germany. Responses on the perceived impact were solicited separately for both 1987 and 1992. What follows is a brief summary of the results.

In responding to statements on 1987 World Issues and U.S. general market factors, a majority of respondents were split about evenly in assessing their positive/negative effects on the companies' main product line(s). However, many respondents indicated that "no impact" was anticipated in the areas of (1) World Defense Issues (57.8%), (2) World Political Issues (36.9%), (3) U.S.-German Trade Relations
(36.6%), (4) U.S. Legal Developments (36.3%), (5) U.S. Political Developments (37.8%), (6) U.S. Social Issues (47.2%), and (7) U.S. Unemployment Rates (39.5%).

Technological Innovations in 1987 were believed to benefit the performance of companies' main product line(s) (69.6%). Similarly, Overall U.S. Market Conditions and "all market-external factors combined" were seen as having a "positive impact", as indicated by 61.7 and 57.9% of respondents, respectively.

Most respondents (60%) predicted that U.S. $-DM exchange rates would have a negative impact for 1987. Very few survey respondents indicated that exchange rates would have "no impact" on product-line performance (6.3%) or that they did not know/had no opinion (6.6%).

Regarding 1987 general market factors in W. Germany, the percentage of respondents foreseeing a "negative impact" again roughly equaled that of respondents anticipating a "positive" impact. However, throughout all eight Germany-specific categories/statements, the most frequently given answer was "no impact" (42% of respondents on the average). Respondents thus seemed to indicate that economic and other developments outside the U.S. (more specifically: developments in Germany) do not significantly affect the U.S. operations of German firms.

Most respondents (39.3% on the average) indicated that they "do not know/have no opinion" (subsequently abbreviated as "d.n.k./n.o.") on 1992 World Issues. Almost 31% of respondents anticipated a "positive impact" coming from 1992 U.S. $-DM exchange rates; but 42.7% indicated "d.n.k./n.o."

Slightly over 42% of all survey participants thought that U.S. economic conditions in 1992 would have a "positive impact" on company performance; but again, almost 41% said "d.n.k./n.o." Respondents were split on the positive/negative impact of all other U.S.-specific general market factors, and an average of over 40% --and thus the majority--indicated "d.n.k./n.o." on all such remaining factors.

Similarly to 1987 results, most respondents thought that technological innovations in 1992 would benefit their company's (product line) performance in 1992 (60% said so, but almost 30% "d.n.k./n.o."). Also, overall U.S. market conditions and "all market-external factors combined" were seen as having a "positive impact", as indicated by 47.5 and 45.9% of participants, respectively; yet 36.3 and 37.3%, respectively, "d.n.k./n.o."

"Market Development" was the most frequently reported "single most important marketing objective" of firms in 1987 (as indicated by 34.7% of respondents). About 30% of respondents
indicated that the objectives of "Market Penetration", "Market Development", "Product Development", and "Diversification" were all equally important. Only 5.8 and 6.4% of all participants, respectively, marked "Product Development" or "Diversification" as their primary objective for 1987.

The importance of "Market Development" as the single most important objective dropped significantly for 1992: "only" 13.7% of respondents (compared to 34.7% in 1987) selected this answer for 1992.

"Market Penetration", "Market Development", "Product Development", and "Diversification" were all considered equally important for 1992 by almost a third (33.5%) of the respondents. Both "Product Development" and "Diversification" gained in importance as an objective for 1992 (16.0% and 12.8%, respectively).

A total of fourteen questionnaire items (seven each for 1987 and 1992) related to sales-, profitability-, and market share objectives. When asked whether the firms' profit and sales objectives would be "lower - the same - or higher" than in 1986, the vast majority of respondents indicated that objectives would be higher in both 1987 and 1992. In only one of the objectives named above was the percentage of respondents reporting "lower" objectives for 1987 or 1992 larger than 7.5%.
Most firms also set their 1987 and 1992 market share objectives higher than for 1986, as reported by 74.8% and 87.7% of respondents, respectively.

Very few survey participants indicated that they "do not have or set" the listed objectives (overall, an average of 12% gave this answer) or said they do not know/have no opinion (1.6%). However, the overall average percentage of respondents who "did not set or have" any of the 1992 objectives was much higher than for 1987 (18.4% for 1992 vs. 5.7% for 1987).

When faced with the choice between market share vs. profitability objectives for 1987 and 1992, the majority of respondents (58.3 and 47.5%, respectively) indicated that "to increase market share" was the single most important objective to achieve. Only about 6% said that their primary objective was to "maintain" market share.

Slightly below 30% of respondents said that "improving product line profitability" was their main objective for 1987 (vs. 32.1% for 1992); only 5.5% marked "to maintain product-line profitability" was the one (vs. 13.7% in 1992).

One might infer that, on average, respondents were not too happy with present company/product-line performance, since very few seemed concerned with "maintaining" the firms' current status quo with regard to market share or profitability.
Major Questions Addressed by the Hypotheses

The major questions addressed in this study, as stated in Chapter I of the dissertation, were:

1. Are there any differences among firms' short-run marketing objectives, given different perceptions of competitive and market conditions and short-term trends?
2. What, if any, are these differences?
3. Are there any differences among firms' long-run marketing objectives, given different perceptions of long-term competitive and market trends?
4. What, if any, are these differences?

Hypotheses H1-H15 related to the first and second question; hypotheses H16-H21 related to the third and fourth question.

Analytical Techniques

The research design of this dissertation is an ex post facto descriptive field study in which inferences are made about the "effects" of market and competitive situations and trends on the nature and magnitude of strategic marketing objectives. Even though the independent variables have "occurred" without the experimental control of the researcher, an ex post facto research design can be as valuable as a true experiment. The design allows us to retrospectively study the independent variables for their "effects" on dependent variables (Kerlinger 1973, p. 405).
Because of the somewhat sensitive issues addressed in the study (e.g., responding firms would like to appear in a strong competitive position, operating in growth markets), a gap may result between indicators of competitive position and market situations and trends on one hand, and "actual" company characteristics on the other. This gap makes the research results somewhat biased and/or inconclusive.

The analytical techniques that were applied to test the hypotheses in this study varied according to the scale properties of the corresponding variables/composites. To test the association between two nominal-level variables, the chi-square statistic was used. For sets of binary nominal-interval level variables (and for binary ordinal-interval variable combinations) the point-biserial correlation coefficient was calculated. It should be pointed out that the point-biserial correlation coefficient is the same as the Pearsonian $R$, or simple correlation coefficient, for cases where the nominal- or ordinal-level variable is binary (Green and Tull 1975, p. 325). If the nominal (dependent) variable is not dichotomous (such as in Hypothesis 11) and the independent variable is interval or ratio, the only available statistic that tests the statistical association between the two variables is the correlation ratio, or eta (Freeman 1965).

The correlation ratio--similarly to the coefficient of determination--measures the amount of "explained" variance
in the dependent variable which is accounted for by the independent variable. However, in contrast to the coefficient of determination, the correlation ratio does not assume a linear relationship between independent and dependent variable (Freeman 1965, Mueller, Schuessler, and Costner 1970). This curvilinear relationship lessens the predictive power of the independent variable(s).

While chi-square indicates whether or not the variables are independent, it does not contain any information about the strength of association. The (point-biserial) correlation coefficient, on the other hand, does reveal the strength of association.

In cases where the independent and dependent variable are measured on an ordinal scale, the Kendall's tau statistic is used for hypothesis testing. Kendall's tau represents a standardized coefficient based on the amount of agreement between two sets of ordinal rankings (Nie, Hull, Jenkins, Steinbrenner, and Hunt 1975, p. 290).

Data Preparation

Given the large number of measurement inventories, several composite variables were constructed for use in the analyses as independent and dependent variables. The composite inventories were tested for internal consistency, using Cronbach's alpha (Nie, Hull, Jenkins, Steinbrenner, and
Bent 1975). The composite inventories and their corresponding reliability scores are reported in Table I.

Except for one composite (SUMOBJS2), Cronbach's alpha was above 0.81 for all composites. Coefficient alpha levels above 0.80 are generally considered acceptable for widely used scales (Carmines and Zeller 1979, p. 51). Given the exploratory nature of the study, the relatively low alpha-level of SUMOBJS2 (0.55) still seemed acceptable.

The scales of the dependent variables SUMOBJS1 through SUMOBJP2 were recoded into binary nominal/ordinal scales to partly offset the lack of variance in the original (unrecoded) scales.

Those composite variables constituting the independent variables in hypothesis tests are shown in Table II, while those constituting the dependent variables are listed in Table III. Table IV lists the abbreviated names of the hypothesis-specific independent and dependent variables.
TABLE I

COMPOSITE NAMES; NUMBER OF ITEMS (VARIABLES); CORRESPONDING QUESTIONNAIRE ITEMS (QUESTIONS); AND INTERNAL CONSISTENCY MEASURE (CRONBACH'S ALPHA)

<table>
<thead>
<tr>
<th>Composite</th>
<th>Number of Items</th>
<th>Questionnaire Items (Questions)</th>
<th>Cronbach's Alpha</th>
</tr>
</thead>
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<td>18</td>
<td>6) - 9), 11) * 13) - 14), 27)</td>
<td>0.8550</td>
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<td>BSUMICON</td>
<td>14</td>
<td>15), 19) - 21), 23), 25), 28)</td>
<td>0.8763</td>
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<tr>
<td>SUMALL87</td>
<td>28</td>
<td>29) - 56)</td>
<td>0.9139</td>
</tr>
<tr>
<td>SUMALL92</td>
<td>28</td>
<td>57) - 84)</td>
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<tr>
<td>SUMOBS1</td>
<td>2</td>
<td>95), 97)</td>
<td>0.8982</td>
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<tr>
<td>SUMOBJP1</td>
<td>4</td>
<td>87), 89), 91), 93)</td>
<td>0.8927</td>
</tr>
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<td>SUMOBS2</td>
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<td>96), 98)</td>
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<tr>
<td>SUMOBJP2</td>
<td>4</td>
<td>88), 90), 92), 94)</td>
<td>0.8152</td>
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</table>

* 27) all items except "price level of product(s)"
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<tr>
<th>Variable Name</th>
<th>Variable Label</th>
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<tbody>
<tr>
<td>BSUMCOPO</td>
<td>&quot;Perception of company competitive capabilities in 1986 relative to competitors&quot;</td>
</tr>
<tr>
<td>BSUMICON</td>
<td>&quot;Perception of industry-specific market conditions in 1986&quot;</td>
</tr>
<tr>
<td>SUMALL87</td>
<td>&quot;Perceived impact of external (general) market conditions in 1987&quot;</td>
</tr>
<tr>
<td>POSIT86</td>
<td>&quot;Perception of overall company position relative to industry in 1986&quot;</td>
</tr>
<tr>
<td>SUMALL92</td>
<td>&quot;Perceived impact of external (general) market conditions in 1992&quot;</td>
</tr>
<tr>
<td>POSIT92</td>
<td>&quot;Perception of overall company position relative to industry in 1992&quot;</td>
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* a composite
TABLE III
DEPENDENT VARIABLE NAMES AND LABELS

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<th>Variable Name</th>
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<tr>
<td>SUMOBS1</td>
<td>&quot;Sales objective for 1987&quot;</td>
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<tr>
<td>SUMOBJP1</td>
<td>&quot;Profit objective for 1987&quot;</td>
</tr>
<tr>
<td>OMSHRE87</td>
<td>&quot;Market share objective for 1987&quot;</td>
</tr>
<tr>
<td>OBJ487</td>
<td>&quot;Strategic objective for 1987: Market penetration; market development; product development; diversification&quot;</td>
</tr>
<tr>
<td>OBJ287</td>
<td>&quot;Strategic objective for 1987: Market share; profitability&quot;</td>
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<tr>
<td>SUMOBS92</td>
<td>&quot;Sales objective for 1992&quot;</td>
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<tr>
<td>SUMOBJP92</td>
<td>&quot;Profit objective for 1992&quot;</td>
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<tr>
<td>OMSHRE92</td>
<td>&quot;Market share objective for 1992&quot;</td>
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<tr>
<td>OBJ492</td>
<td>&quot;Strategic objective for 1992: Market penetration; market development; product development; diversification&quot;</td>
</tr>
<tr>
<td>OBJ292</td>
<td>&quot;Strategic objective for 1992: Market share; profitability&quot;</td>
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</table>

* a composite
<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Independent Variable</th>
<th>Dependent Variable</th>
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<td>H1</td>
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<td>H3</td>
<td>SUMALL87</td>
<td>SUMOBS87</td>
</tr>
<tr>
<td>H4</td>
<td>BSUMCOPO</td>
<td>SUMOBP87</td>
</tr>
<tr>
<td>H5</td>
<td>BSUMICON</td>
<td>SUMOBP87</td>
</tr>
<tr>
<td>H6</td>
<td>SUMALL87</td>
<td>SUMOBP87</td>
</tr>
<tr>
<td>H7</td>
<td>BSUMCOPO</td>
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<td>OMSHRE87</td>
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<td>H9</td>
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<td>OMSHRE87</td>
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<td>H10</td>
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<td>H11</td>
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<td>H12</td>
<td>POSIT86</td>
<td>OBJ287</td>
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<td>H13</td>
<td>BSUMCOPO</td>
<td>OBJ287</td>
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<td>BSUMICON</td>
<td>OBJ287</td>
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<td>OBJ287</td>
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<td>Hypothesis</td>
<td>Independent Variable</td>
<td>Dependent Variable</td>
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<tr>
<td>------------</td>
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<tr>
<td>H16</td>
<td>SUMALL92</td>
<td>SUMOBS92</td>
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<td>SUMOBP92</td>
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<td>H19</td>
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<td>OBJ492</td>
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<td>H20</td>
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<td>OBJ292</td>
</tr>
<tr>
<td>H21</td>
<td>SUMALL92</td>
<td>OBJ292</td>
</tr>
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</table>
Test Results of Hypotheses Relating to Short-Term Marketing Objectives

As pointed out in Chapter III, H1-H15 relate to short-term marketing objectives (for 1987). Table V shows a summary of the test results of these hypotheses.

In the discussion that follows, the hypotheses are grouped according to their corresponding dependent variable or construct. Each hypothesis is restated in substantive form for the purpose of discussion. The null hypothesis is also stated. A conclusion of either rejection of the null hypothesis or failure to reject is then reached based upon the results.


H1A: There are differences in the level of company-stated sales objectives for 1987 relative to 1986, given differences in perception of company competitive capabilities in 1986 relative to competitors.

H10: There are no differences in the level of company-stated sales objectives for 1987 relative to 1986, given differences in perception of company competitive capabilities in 1986 relative to competitors.

In this hypothesis, the dependent variable is level of company-stated sales objective for 1987 relative to 1986. This is a binary ordinal variable made up of two categories. Originally, the variable was made up of three categories; but due to a severe lack of variance, it was collapsed into two categories. The resulting first category is "lower sales..."
<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Test Statistic</th>
<th>*Statistic</th>
<th>**Significance</th>
<th>Null Hypothesis: Rejected or Not Rejected</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>R = 0.05214</td>
<td>0.1907</td>
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<td></td>
</tr>
<tr>
<td>H2</td>
<td>R = 0.06822</td>
<td>0.1293</td>
<td>Not Rejected</td>
<td></td>
</tr>
<tr>
<td>H3</td>
<td>R = 0.00225</td>
<td>0.4893</td>
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<td></td>
</tr>
<tr>
<td>H4</td>
<td>R = 0.03545</td>
<td>0.2896</td>
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<tr>
<td>H5</td>
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<td>H7</td>
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<td>0.2069</td>
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<tr>
<td>H8</td>
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<td>H9</td>
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TABLE V (cont.)

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<th>Significance</th>
<th>Null Hypothesis: Rejected or Not Rejected</th>
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<td>H15</td>
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</table>

$R =$ Point Biserial Correlation Coefficient;

$X^2 =$ Chi-square statistic; $\eta^2 =$ Eta-square;

$F =$ F-statistic;

**

an alpha level of 0.10 was used as the criterion for rejection of the null hypothesis, i.e., if the significance level calculated from the sample was less than 0.10, the null hypothesis was rejected.
objective than in 1986" and "the same as in 1986"; the second category is "higher sales objective than in 1986". The dependent variable is a composite measure made up of two variables as shown in Table I.

The independent variable is perceived company competitive capabilities in 1986 relative to competitors, which is measured on an interval scale. Actually, it is a composite of 18 variables as shown in Table I.

For this situation, the appropriate test statistic of association is the non-parametric point biserial correlation coefficient. The value of R (0.05214) and its significance level (0.1907) indicate that the null hypothesis cannot be rejected.

To investigate the hypothesis further, the independent composite variable was collapsed first into six, and then into four ordinal categories. The resulting ordinal independent variables were tested for association with the binary ordinal dependent variable using the Kendall's tau statistic. No significant association was found between the two.

Even when both variables are scaled as nominal, the chi-square test does not show any significant results. Therefore, the level of companies' short-term (1987) sales objectives seems to be independent of perceived company competitive capabilities in 1986. Hence, on an overall basis, there is no support for H1.
H2A: There are differences in the level of company-stated sales objectives for 1987 relative to 1986, given differences in perception of industry-specific market conditions in 1986.

H20: There are no differences.

In hypothesis two, the dependent variable is level of company-stated sales objective for 1987 relative to 1986. This is a binary ordinal variable (originally it consisted of 3 categories, but the scale was collapsed, as explained under the first hypothesis). The dependent variable is a composite measure made up of two variables, as explained under H1.

The independent variable is perceived industry-specific market conditions in 1986, which is measured on an interval scale. The independent variable is a composite measure of 14 variables (see Table I).

The appropriate test statistic of association for this hypothesis is the point-biserial correlation coefficient. The value of R (0.0521) and its significance level (0.1907) indicate that the null hypothesis cannot be rejected.

Essentially the same result was obtained when the composite scale of the independent variable was collapsed into ordinal scales. Using an ordinal scale with four categories, Kendall's tau measured 0.110 and showed an acceptable level of statistical significance (alpha = 0.0349). However, when the composite was collapsed into an ordinal scale with six categories, Kendall's tau was insignificant (alpha = 0.1404).
When both variables are scaled as nominal, the chi-square statistic indicates that no systematic relationship exists between the two variables. Hence, on an overall basis, there is no support for H2.

H3\textsubscript{A}: There are differences in the level of company-stated sales objectives for 1987 relative to 1986, given differences in perception of external (general) market conditions in 1987.

H3\textsubscript{0}: There are no differences.

In hypothesis three, the dependent variable is level of company-stated sales objective for 1987 relative to 1986. As before, the dependent variable is a binary ordinal composite made up of two variables (see Table I).

The independent variable is perceived external (general) market conditions in 1987, which is measured on an interval scale. The independent variable is a composite measure consisting of 28 variables (see Table I).

For this situation, the appropriate test statistic of association is the point-biserial correlation coefficient. The value of R (0.00225) and its significance level (0.4893) indicate that the null hypothesis cannot be rejected.

To investigate the hypothesis further, the independent composite variable was collapsed first into six, and then into four ordinal categories. The resulting ordinal independent variables were tested for association with the binary ordinal dependent variable using the Kendall's tau
statistic. No significant association was found between the two.

Even when both variables are scaled as nominal, the chi-square statistic does not show any significant results.

The results suggest that the U.S. subsidiaries of German firms do not necessarily take short-run general market conditions into account when setting short-term sales objectives for their main product line in the U.S. In other words, the perception of better/more favorable market conditions may not (automatically) induce firms to set higher levels of sales objectives. Conversely, the perception of unfavorable general market conditions may not necessarily have a direct impact on setting (lower) objectives.

**Profit Objective 1987.**

H4A: There are differences in the level of company-stated profit objectives for 1987 relative to 1986, given differences in perception of company competitive capabilities in 1986 relative to competitors.

H40: There are no differences.

The dependent variable in this hypothesis is level of company-stated profit objective for 1987 relative to 1986. This is an ordinal variable made up of two categories. (Due to the lack of variance in the original variable with three categories, the dependent variable was collapsed into a binary ordinal scale. The resulting first category is "lower profit objective than in 1986" and "the same as in 1986"; the
second category is "higher profit objective than in 1986"). The dependent variable is a composite made up of four variables (see Table I).

The independent variable is perceived company competitive capabilities in 1986 relative to competitors, which is measured on an interval scale. The independent variable is a composite made up of 18 variables as shown in Table I.

The appropriate test statistic of association for this hypothesis is the point-biserial correlation coefficient. The value of R (0.03545) and its significance level (0.2896) indicate that the null hypothesis cannot be rejected.

To investigate the hypothesis further, the independent composite variable was collapsed first into six, and then into four ordinal categories. The resulting ordinal independent variables were tested for association with the binary ordinal dependent variable using the Kendall's tau statistic. No significant association was found between the two.

When reduced to binary nominal scales, the chi-square statistic was insignificant, further indicating that no systematic statistical relationship existed between the two variables. Thus, the level of short-term company-stated profit objectives for the firms' main product line in the U.S. appears to be independent of perceived company competitive capabilities in 1986.
H5_A: There are differences in the level of company-stated profit objectives for 1987 relative to 1986, given differences in perception of industry-specific market conditions in 1986.

H5_0: There are no differences.

The dependent variable in hypothesis five is the same as in H5; i.e., level of company-stated profit objective for 1987 relative to 1986.

The independent variable is perceived industry-specific market conditions in 1986, which is measured on an interval scale. The independent variable is a composite measure made up of 14 variables (see Table I).

For this situation, the appropriate test statistic of association is the nonparametric point biserial correlation coefficient. The value of R (-0.00538) and its significance level (0.4672) indicate that the null hypothesis cannot be rejected.

To investigate the hypothesis further, the independent composite variable was collapsed first into six, and then into four ordinal categories. The resulting ordinal independent variables were tested for association with the binary ordinal dependent variable using the Kendall's tau statistic. No significant association was found between the two.

Even when both variables are scaled as nominal, the chi-square test does not show any significant results. The results indicate that companies' 1987 profit objectives
(relative to 1986) were not necessarily higher (lower) when industry-specific conditions in 1986 were perceived as being favorable/attractive (unfavorable/unattractive).

The negative sign of the point-biserial correlation coefficient ($R = -0.00538$) can be explained in the following way: under less favorable market conditions, companies might be more concerned about (salvaging) product line profitability than about sales and market share. Giving market share expansion priority status over profitability in periods of favorable market conditions may make sense for all business firms, regardless of industry or ownership pattern. But it seems even more reasonable in the case of German (or other foreign) firms operating in the U.S., since their position in the market (in terms of market share) is probably weak compared to more established U.S. firms.

$H_6^A$: There are differences in the level of company-stated profit objectives for 1987 relative to 1986, given differences in perception of external (general) market conditions in 1987.

$H_6^0$: There are no differences.

The dependent variable in the above hypothesis is the same as for $H_4$ and $H_5$; i.e., level of company-stated profit objective for 1987 relative to 1986.

The independent variable is perceived external (general) market conditions in 1987, which is measured on an interval
scale. The independent variable is a composite variable made up of 28 variables (see Table I).

As for the previous five hypotheses, the appropriate test statistic of association is the point-biserial correlation coefficient. The value of $R (-0.10228)$ and its level of significance ($0.1263$) indicate that the null hypothesis cannot be rejected.

No change in test results occurred at the ordinal and nominal level of association.

Therefore, the level of company-stated profit objectives for 1987 relative to 1986 appears to be independent of the perceived impact of external market conditions on the firm in 1987.

The explanation for the negative sign of $R$ is the same as the one proposed in the preceding hypothesis: under less favorable market conditions, companies might be more concerned about (salvaging) product line profitability than about sales and market share.

**Market Share Objective 1987.**

**H7_A:** There are differences in the level of company-stated market share objectives for 1987 relative to 1986, given differences in perception of company competitive capabilities in 1986 relative to competitors.

**H7_0:** There are no differences.
The dependent variable in hypothesis seven is level of company-stated market share objective for 1987 relative to 1986. This is an ordinal variable made up of two categories. (Due to the lack of variance in the original variable with three categories, the dependent variable was collapsed into a binary ordinal scale. The resulting first category is "lower market share objective than in 1986" and "the same as in 1986"; the second category is "higher market share objective than in 1986").

The independent variable is perceived company competitive capabilities in 1986 relative to competitors, which is measured on an interval scale. The independent variable is a composite measure consisting of 18 variables as explained earlier (see Table I).

For this situation, the appropriate test statistic of association is the point-biserial correlation coefficient. The value of R (0.09848) and its significance level (0.2069) indicate that the null hypothesis cannot be rejected.

To investigate the hypothesis further, the independent composite variable was collapsed first into six, and then into four ordinal categories. The resulting ordinal independent variables were tested for association with the binary ordinal dependent variable using the Kendall's tau statistic. No significant association was found between the two.
When both variables are scaled as nominal, the chi-square test does not reveal any significant results. Thus, short-term (1987) market share objectives for the firms' main product line in the U.S. appear to be independent of perceived company competitive capabilities in 1986 relative to competitors.

H8\textsubscript{A}: There are differences in the level of company-company-stated market share objectives for 1987 relative to 1986, given differences in perception on industry-specific market conditions in 1986.

H8\textsubscript{0}: There are no differences.

Similarly to the previous hypothesis (H7), the dependent variable in hypothesis eight is level of company-stated market share objective for 1987 relative to 1986. This is an ordinal variable made up of two categories.

The independent variable is perceived industry-specific market conditions in 1986, which is measured on an interval scale. The independent variable is a composite measure consisting of 14 variables (see Table I).

The appropriate test statistic of association is the point-biserial correlation coefficient. In this hypothesis the value of R (0.08367) and its significance level (0.2424) indicate that the null hypothesis cannot be rejected.

To investigate the hypothesis further, the independent composite variable was collapsed first into six, and then into four ordinal categories. The resulting ordinal
independent variables were tested for association with the binary ordinal dependent variable using the Kendall's tau statistic. No significant association was found between the two. However, when both variables are scaled as nominal, the chi-square test produces significant results (chi-square = 7.557; alpha = 0.0229).

The overall hypothesis test results of H8 suggest that very little interaction prevails between companies' 1987 market share objective for their main product line(s) on one hand, and the perceived impact of industry-specific market conditions on the firm in 1986 on the other.

H9_A: There are differences in the level of company-stated market share objectives for 1987 relative to 1986, given differences in perception of external (general) market conditions in 1987.

H9_0: There are no differences.

In hypothesis nine, the dependent variable is level of company-stated market share objective for 1987 relative to 1986. This is a binary ordinal variable.

The independent variable is perceived external (general) market conditions in 1987, which is measured on an interval scale. Actually, it is a composite variable made up of 28 variables as explained earlier.

For this situation, the appropriate test statistic of association is the point-biserial correlation coefficient. The value of R (-0.03118) and its significance level (0.4243)
indicate that the null hypothesis cannot be rejected. The same result was obtained at the ordinal and nominal levels of measurement.

The results, like those of H3 and H6, might indicate that firms do not necessarily consider the positive or negative impact of short-term general market conditions when setting short-term market share objectives for their main product line in the U.S. In other words, the perception of better/more favorable market conditions might not necessarily induce companies to set higher objectives in the short-run.

In fact, the negative sign of R in hypotheses H5, H6, and H9 would indicate just the opposite, if anything, namely, that the perception of unfavorable market conditions might lead firms to adopt higher objectives in the short-run.

The possible explanations for the inverse (though statistically insignificant) relationship between the two variables in H9 are manifold. One feasible explanation is the lack of variance within the dependent variable. A more speculative, inferred explanation is that firms might set higher objectives for the near future because of the dismal outlook on current market conditions, in anticipation, for example, that market conditions might improve next year. As always, setting higher short-term (market share) objectives could also be based on wishful thinking, or simply on the tendency of managers and firms to (always) set higher objectives, regardless of what market conditions and
competitive situation might look like. Setting higher objectives might also be due to managers' need to please others in the organization (and to get promoted to the next step up the corporate ladder).

Statistically more significant results would probably have been obtained if the variance within the dependent variables of the first nine hypotheses (SUMOBJSL, SUMOBJPl, OMSHRE87) had been larger. The severe lack of variance made it very unlikely to obtain significant results for hypotheses H1-H9 at any level of measurement.

**Strategic Marketing Objective 1987: Market Penetration; Market Development; Product Development; Diversification**

H10a: There are differences in the reported single most important strategic marketing objective for 1987 (i.e., market penetration; market development; product development; diversification), given differences in perception of overall company position relative to industry in 1986.

H100: There are no differences.

All previous hypotheses were tested using the point-biserial correlation coefficient, given the interval-level quality of the independent variables on one hand, and the binary ordinal characteristic of the dependent variables on the other. As was noted earlier, the point-biserial correlation coefficient is the mathematical equivalent to Pearson's R in such cases.
In H10, the dependent variable is single most important strategic marketing objective for 1987 (i.e., market penetration, market development, product development, diversification). This is a nominal variable made up of four categories.

The independent variable is perceived overall company position relative to industry in 1986, which is measured on a nominal scale using six categories. For this situation the appropriate test statistic of association is the chi-square statistic.

The chi-square statistic measures the differences between the observed frequencies (percentages) and those expected under the null hypothesis (Mueller, Schuessler, and Costner 1970, p. 432). In other words, the statistic helps us to decide whether the independent and dependent variable are systematically related or not.

In the case of H10 the value of chi-square (28.274) and its significance level (0.0199) indicate that the null hypothesis should be rejected.

To compensate for the small cell sizes in 11 of the 24 cells (or 45.8%) in the cross-tabulation, the independent variable (POSIT86) was collapsed into two groups; a similar result was obtained (chi-square = 7.982; alpha = 0.0464).

In other words, it was found that a systematic relationship existed between respondents' perceived company
position relative to industry in 1986 and the type of
strategic marketing objective identified for 1987.

H11_A: There are differences in the reported single most
important strategic marketing objective for 1987
(i.e., market penetration; market development;
product development; diversification), given
differences in perception of industry-specific
market conditions in 1986.

H11_0: There are no differences.

In hypothesis eleven, the dependent variable is single
most important strategic marketing objective for 1987 (i.e.,
market penetration, market development, product development,
diversification). This is a nominal variable made up of four
categories.

The independent variable is perceived industry-specific
market conditions in 1986, which is measured on an interval
scale. Actually, it is a composite variable consisting of 14
variables as explained earlier.

The testing of this hypothesis posed a special problem,
since there were more than two nominal categories in the
dependent variable, while the independent variable was
interval-level. Pearson's R could not be used here.

The only appropriate statistic to test hypotheses about
nominal-interval combinations is the correlation ratio, or
eta-square (Freeman 1965, p. 120).

Eta-square describes the degree of association between
two variables when one of them is expressed in a nominal
scale and one in an interval scale. Freeman (1965) notes that while it is always possible to simplify the interval scale to an ordinal or nominal scale and use other appropriate statistics, doing so would involve throwing information away. The correlation ratio thus provides the most sensitive index of association for this hypothesis test.

The correlation ratio expresses the proportion of reduction of error or the degree of improvement in guessing the values of the dependent variable on the basis of the distribution of the independent variable (Freeman 1965, p. 120). In other words, the ratio measures the proportion of shared variance between X and Y (Freeman 1965, p. 126).

It should be noted that eta-square is most appropriate when the independent variable is nominal and the dependent variable is interval (Freeman 1965, p. 127). Since just the reverse is true for the variables represented in H11, the results have to be interpreted cautiously.

A distinctive characteristic of the correlation ratio is that it is not measuring the linear relationship between two variables; that is, it is free of restriction on the functional form of the relationship (Neter and Maynes, 1970). Since eta-square can "pick up" a curvilinear association between variables, it has been argued that it is most useful to identify the "best" independent variable in a set of predictor variables in terms of degree of total relationship (Neter and Maynes, 1970, p. 504).
The purpose of this study is not to compare a string of independent variables in their degree of association with one dependent variable; we are most interested in whether a systematic relationship between independent and dependent variable(s) exists. Given the exploratory nature of the study, eta-square is an appropriate measure of association. However, since the correlation ratio is a measure of the total relationship between two variables, we cannot interpret its value the way we interpreted the Pearson correlation coefficient. The latter statistic helps us decide whether a positive or inverse linear relationship between variables exists, while the former does not.

The problem of hypothesis testing was compounded by the fact the the statistical program used for this dissertation (SPSS-X) does not print out a test of significance for eta-square. Therefore, an F-ratio had to be calculated manually. This F-ratio addressed the issue of whether the four groups in the dependent variable differed among themselves.

It was found that close to 25% of the variance in the dependent variable was explained or accounted for by the independent variable (eta-square = 0.2472). However, since the calculated F-ratio of 0.9559 was insignificant (alpha > 0.10), the null hypothesis of H11 could not be rejected.

It should be noted that the calculated F-ratio is based on equal, randomly-drawn, sample sizes (n = 16) in each of the four groups in the dependent variable (OBJ487).
No significant difference in results was obtained when the F-ratio was calculated from the original data with unequal sample sizes.

The results indicate that the relationship between the nature of strategic marketing objectives selected for 1987 and respondents' perceived impact of current industry-specific market conditions is not very strong.

Because of the nature of the correlation ratio, i.e., its property to measure the total relationship between two variables, we cannot determine what linear relationship might exist. In other words, we are not in a position to speculate whether more (or less) favorable 1986 market conditions (as perceived by respondents) were associated with (numerically) "higher" strategic marketing objective (e.g., Diversification).

Given the sizable difference between the coefficient of determination ($R^2 = 0.0019$) and the correlation ratio ($\eta^2 = 0.2472$) we may infer that there is a considerable amount of curvilinearity in the relationship between the two variables (Mueller, Schuessler, and Costner 1970, p. 326).

**Strategic Marketing Objective 1987: Market Share vs. Profitability**

H12A: There are differences in the reported single most important strategic marketing objective for 1987 (i.e., market share vs. profitability), given differences in perception of overall company position relative to industry in 1986.
H12: There are no differences.

The dependent variable in hypothesis twelve is single most important strategic marketing objective for 1987 (i.e., market share, profitability). It is a nominal variable made up of two categories.

It should be noted that the answers a) and b) in questions 101 (for 1987) and 102 (for 1992) in the questionnaire were combined in testing those hypotheses which had OBJ287 or OBJ292 as the dependent variable (H13-H15 and H20-H21). Similarly, answers c) and d) were combined in both questions 101 and 102. We were interested in finding out which basic objective respondents would select (market share vs. profitability), not in whether the desired level of goal attainment was to "maintain" or to "increase/improve".

The independent variable is perceived overall company position relative to industry in 1986, which is measured on a nominal scale with six categories. Since both independent and dependent variable are nominal here, the chi-square statistic is the appropriate test statistic of association.

The value of chi-square (4.304) and its significance level (0.5065) indicate that the null hypothesis of H12 could not be rejected.

The systematic relationship between perceived overall company position relative to industry in 1986 and choice of "market share" vs. "profitability" for 1987 was thus weak or
non-existent. That is, statistically speaking, the choice of strategic marketing objective was independent from respondents' perception of overall company position industry-wide. For example, if respondents reported that gaining/increasing market share was their company's single most important objective for 1987, that did not mean that the company's (perceived) industry position was (numerically) "low" or "high".

All cells in the cross-tabulation had a minimum size of 10; the scale of the independent variable thus did not have to be collapsed into fewer categories.

This finding may lead us to conclude that companies do not necessarily consider their market position relative to industry when it comes to deciding on the primary strategic marketing objective of market share and/or profitability.

H13\(_A\): There are differences in the reported single most important strategic marketing objective for 1987 (i.e., market share vs. profitability), given differences in perception of company competitive capabilities in 1986 relative to competitors.

H13\(_0\): There are no differences.

The dependent variable in hypothesis thirteen is single most important strategic marketing objective for 1987. This is a nominal variable with two categories, as explained under H12.

The independent variable is perceived company competitive capabilities in 1986 relative to competitors,
which is measured on an interval scale. The independent variable is a composite measure consisting of 18 variables (see Table I).

Given the measurement level of the dependent and independent variable in this hypothesis, the point-biserial correlation coefficient was the appropriate test statistic. The value of $R$ (0.08419) and its significance level (0.0749) indicate that the null hypothesis of H13 should be rejected.

Collapsing the scale of the independent variable into an ordinal-level scale did not alter the test results; i.e., Kendall's tau remained significant when six ordinal levels of measurement were used ($\tau_c = 0.10010; \alpha = 0.0574$), and marginally significant with four levels ($\tau_c = 0.07733; \alpha = 0.1073$). At the nominal level of measurement the statistical relationship remained significant also ($\chi^2 = 5.391; \alpha = 0.0202$), further indicating that the null hypothesis should be rejected.

The linear relationship between perceived company competitive capabilities in 1986 and the type of strategic marketing objective for 1987 was thus weak but significant. The results here may indicate that companies tended to choose "product-line profitability" as the most important objective for 1987 when the firms' competitive capabilities in 1986 were perceived as being strong. This positive relationship makes sense intuitively: if a company has something to offer to customers which puts it at a competitive advantage over
competitors, it is in a more capable position to pursue (higher) profitability objectives (for example, by setting higher prices).

H14A: There are differences in the reported single most important strategic marketing objective for 1987 (i.e., market share vs. profitability), given differences in perception of industry-specific market conditions in 1986.

H140: There are no differences.

In the above hypothesis, the dependent variable is single most important strategic marketing objective for 1987 (i.e., market share, profitability). This is a binary nominal variable.

The independent variable is perceived industry-specific market conditions in 1986, which is measured on an interval scale. The variable is a composite made up of 14 variables, as explained earlier. For this situation, the appropriate test statistic of association is the point-biserial correlation coefficient.

The most significant finding, statistically speaking, was encountered here. That is, the linear relationship between (any) independent and dependent variable was strongest in this hypothesis. The value of R (-0.14358) and its significance level (0.0075) indicate that the null hypothesis of H14 should be rejected.

When the independent variable was collapsed into six ordinal categories, the resulting standardized correlation
coefficient (Kendall's tau statistic) was -0.16681, which was highly significant (alpha = 0.0047); using four ordinal categories, Kendall's tau showed a value of -0.17706, which was highly significant also (alpha = 0.0025). The relationship between the two variables also held at the nominal level of measurement (chi-square = 2.903; alpha = 0.0884).

The perception of lower, less favorable industry-specific market conditions in 1986 was thus associated with the "profitability" objective (rather than market share). Conversely, respondents were more likely to identify the "market share" objective as the most important one for 1987 when the perceived impact of current industry-specific market conditions was positive.

The findings may lead us to the same argument proposed under the discussion of hypothesis test results of H5 and H6. Namely, that under less favorable industry-specific market conditions, companies might be more concerned about (salvaging) product line profitability than about sales and market share. The argument assumes that U.S. subsidiaries of German firms consider market share/sales expansion as their primary overall goal. Such a goal is easier to achieve under positive market conditions than under negative ones, i.e., the goal of company market share growth can best be achieved in a generally expanding market. The assumption concerning primary company goals seems reasonable in view of the
dominant reasons why German firms have placed foreign direct investments (FDI) in the U.S. since the mid-1970s. Firms have located in the U.S. because of the proximity to markets, and because the U.S. is considered an economic growth area that is politically stable (Kleinknecht 1981).

H15A: There are differences in the reported single most important strategic marketing objective for 1987 (i.e., market share vs. profitability), given differences in perception of external (general) market conditions in 1987.

H150: There are no differences.

Hypothesis fifteen is the last hypothesis related to short-term objectives. It concerns the relationship between choice of primary strategic marketing objective (the dependent variable) and perceived impact of external (general) market conditions on the firm in 1987 (the independent variable).

The dependent variable is binary nominal. The independent variable is interval; it represents a composite measure that is made up of 28 variables. For this situation, the appropriate test statistic of association is the point-biserial correlation coefficient.

The value of R (0.09966) and its significance level (0.1117) indicate that the null hypothesis of H15 cannot be rejected. The same results were obtained when the variables were rescaled to ordinal and nominal levels.
Thus, respondents' choice of "market share" or "profitability" as the single most important objective for 1987 was independent of respondents' perception of external (general) market conditions in 1987.

Test Results of Hypotheses Relating to Long-Term Marketing Objectives

As pointed out in Chapter III, H16-H21 relate to long-term marketing objectives (for 1992). The hypotheses are thus in reference to the third and fourth major question addressed in the study, as stated earlier. Table VI shows a summary of the test results of these hypotheses.

As before, the hypotheses below are grouped according to their dependent variable or construct. Each hypothesis is restated in substantive form for the purpose of discussion. The null hypothesis is also stated. Each null hypothesis is either rejected or not rejected.

**Sales Objective 1992.**

H16A: There are differences in the level of company-stated sales objectives for 1992 relative to 1986, given differences in perception of external (general) market conditions in 1992.

H160: There are no differences.
TABLE VI
SUMMARY OF TESTS OF HYPOTHESES RELATING TO LONG-TERM OBJECTIVES

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Test Statistic</th>
<th>Significance</th>
<th>Null Hypothesis: Rejected or Not Rejected</th>
</tr>
</thead>
<tbody>
<tr>
<td>H16</td>
<td>R = 0.23118</td>
<td>0.0146</td>
<td>Rejected</td>
</tr>
<tr>
<td>H17</td>
<td>R = 0.05479</td>
<td>0.3158</td>
<td>Not Rejected</td>
</tr>
<tr>
<td>H18</td>
<td>R = 0.21638</td>
<td>0.2388</td>
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<tr>
<td>H19</td>
<td>$X^2 = 22.628$</td>
<td>0.0924</td>
<td>Rejected</td>
</tr>
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<td>H20</td>
<td>$X^2 = 3.557$</td>
<td>0.6149</td>
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</tr>
<tr>
<td>H21</td>
<td>R = 0.01834</td>
<td>0.4292</td>
<td>Not Rejected</td>
</tr>
</tbody>
</table>

* R = Point Biserial Correlation Coefficient; $X^2 = Chi$-square statistic; $e = Eta$-square; $F = F$-statistic;

** an alpha level of 0.10 was used as the criterion for rejection of the null hypothesis, i.e., if the significance level calculated from the sample was less than 0.10, the null hypothesis was rejected.

In hypothesis sixteen, the dependent variable is level of company-stated sales objective for 1992 relative to 1986. This is a binary ordinal variable. Originally, the dependent
variable was made up of three ordinal categories. But due to the lack of variance, the variable was collapsed into an ordinal scale with two categories. The recoded first category is "lower sales objective in 1992 than in 1986" and "the same as in 1986"; the second category is "higher sales objective in 1992 than in 1986".

The dependent variable is a composite measure made up of two variables, as explained earlier (see Table I).

The independent variable is perceived external (general) market conditions in 1992, which is measured on an interval scale. Actually, the variable is a composite consisting of 28 variables (see Table I).

For this situation, the appropriate test statistic of association is the point-biserial correlation coefficient. The value of R (0.23118) and its significance level (0.0146) indicate that the null hypothesis of $H_{16}$ should be rejected.

Some words of caution concerning this statistical result seem appropriate:

1. The relevant survey question (for the dependent variable) deals with relative (1992/1986), not absolute sales objectives; it would be very unusual for firms not to have an increase in relative sales objectives over a time-span of six years.

2. Even after recoding the dependent variable into two ordinal categories, there was a lack of variance in the dependent variable; that is, practically all
firms stated higher sales objectives for 1992 relative to 1986.

3. The most prominent answer for the 28 questionnaire items that make up the independent variable or composite was "do not know/no opinion". In fact, an overall average of 40% of all respondents marked this answer for all items (questions 57-84 in the questionnaire). The reliability of this measure (i.e., the independent variable) was therefore low.

4. Finally, the measure of internal consistency was low for the dependent variable (Cronbach's alpha = 0.5526).

The hypothesis was separately tested for the two individual (dependent) variables that make up the composite SUMOBS92. First, however, the independent variable was collapsed into an ordinal-level scale, using six and four categories, respectively. The resulting ordinal independent variable and the ordinal dependent variable were tested for association using Kendall's tau statistic. The results supported the rejection of the null hypothesis. When collapsed into six categories, the resulting tau was 0.22892, which was significant at alpha = 0.02. When collapsed into four categories, tau was 0.27669, which was significant at alpha = 0.005.
When both variables are scaled as nominal, however, the chi-square test does not show any significant results (chi-square = 1.311; alpha = 0.2521).

The interval independent variable was then tested for its association with each of the two individual dependent binary ordinal variables that make up the (dependent) composite. The point-biserial correlation coefficient was used for this test. The values of R (0.16304 and 0.22794, respectively) and their significance levels (0.0623 and 0.0154, respectively) supports the rejection of the null hypothesis of H16.

The level of company-stated sales objectives for 1992 (relative to 1986) tended to be higher when external market conditions in 1992 were perceived as being favorable.

The fact that we could not reject the null hypothesis for H3 but could reject it for H16 might indicate that firms are more likely to take into account external (general) market conditions when setting long-term sales objectives for their main product line(s) than they are for short-term sales objectives.

**Profit Objective 1992.**

H17\textsubscript{A}: There are differences in the level of company-stated profit objectives for 1992 relative to 1986, given differences in perception of external (general) market conditions in 1992.

H17\textsubscript{0}: There are no differences.
The dependent variable in the above hypothesis is level of company-stated profit objective for 1992 relative to 1986. This is a binary ordinal variable. (Similarly to the previous hypothesis, the original dependent variable was collapsed into two categories. The resulting first category is "lower profit objective in 1992 than in 1986" and "the same as in 1986"; the second category is "higher profit objective in 1992 than in 1986"). The dependent variable is a composite measure made up of four variables (see Table I).

The independent variable is perceived external (general) market conditions in 1992, which is measured on an interval scale. Actually, it is a composite measure consisting of 28 variables (see Table I).

For this situation, the point-biserial correlation coefficient was used as the test statistic of association between the two variables. The value of R (0.05479) and its significance level (0.3158) indicate that the null hypothesis of H17 cannot be rejected. No change in results was obtained at the ordinal and nominal levels of measurement.

The results suggest that the level of 1992 profit objectives for the companies' main product line(s) is (statistically) independent of the anticipated impact of external market conditions on the firm in 1992.

H18 A: There are differences in the level of company-stated market share objectives for 1992 relative to 1986, given differences in perception of external (general) market conditions in 1992.

H18 0: There are no differences.

In hypothesis eighteen, the dependent variable is level of company-stated market share objective for 1992 relative to 1986. This is an ordinal variable made up of two categories. (The original three ordinal categories were collapsed into two categories to partially overcome the lack of variance in the dependent variable. The recoded first category is "lower market share objective in 1992 than in 1986" and "the same as in 1986"; the recoded second category is "higher market share objective in 1992 than in 1986").

The independent variable is perceived external (general) market conditions in 1992, which is measured on an interval scale. The independent variable is a composite made up of 28 variables; it is the same as in hypotheses H16 and H17.

For this situation, the appropriate test statistic of association is the point-biserial correlation coefficient. The value of R (0.21638) and its significance level (0.2388) indicate that the null hypothesis of H18 cannot be rejected. No change in results was obtained at the ordinal and nominal level of measurement.

The results suggest that the level of 1992 market share objectives for the companies' main product line(s) is
(statistically) independent of the anticipated impact of external market conditions on the firm in 1992.

**Strategic Marketing Objective 1992: Market Penetration; Market Development; Product Development; Diversification**

H19\(A\): There are differences in the reported single most important strategic marketing objective for 1992 (i.e., market penetration; market development; product development; diversification), given differences in perception of overall company position relative to industry in 1992.

H19\(0\): There are no differences.

The dependent variable in hypothesis nineteen is single most important strategic marketing objective for 1992 (i.e., market penetration, market development, product development, diversification). This is a nominal variable made up of four categories.

The independent variable is perceived overall company position relative to industry in 1992, which is measured on a nominal scale consisting of six categories.

As was the case for hypotheses H10 and H12, the hypothesis testing for H19 requires the use of the chi-square statistic, since both independent and dependent variable are nominal. The value of chi-square (22.628) and its significance level (0.0924) suggest that the null hypothesis of H19 should be rejected.

Therefore, we conclude that a systematic relationship exists between anticipated company position relative to

The chance of obtaining a chi-square value larger than 22.628 was less than 10 in 100 if the null hypothesis was true. The risk of rejecting H0 when it was actually true seemed small considering the results for H10, which parallels H19 for 1987. (H10 was rejected in the null form).

The statistical results of H10 and H19 both seem to indicate that companies take into account their overall market position relative to industry when selecting primary marketing objectives.

Overall survey results for 1992 have been less reliable than for 1986/1987. It is therefore not surprising that the results of this hypothesis (H19) are not as significant as those of the corresponding hypothesis stated for 1987. In fact, collapsing the independent variable (POSIT92) into, respectively, two and three nominal categories to reach the minimum efficiency in cell sizes yielded statistically insignificant chi-square values. (In the original cross-tabulation, 25% of the cells showed a cell size of below 5).


H20A: There are differences in the reported single most important strategic marketing objectives for 1992 (i.e., market share vs. profitability), given differences in perception of overall company position relative to industry in 1992.
H20: There are no differences.

In hypothesis twenty, the dependent variable is single most important strategic marketing objective for 1992 (i.e., market share, profitability). This is a binary nominal variable.

The independent variable is perceived overall company position relative to industry in 1992, which is measured on a nominal scale with six categories.

As for the previous hypothesis (H19), the appropriate test of association between the two variables here is the chi-square statistic.

Similarly to H12, no systematic relationship emerged here (chi-square = 3.557; alpha = 0.6149). That is, statistically speaking, respondents' answers concerning the firms' single most important strategic marketing objective for 1992 were independent of respondents' perceptions of overall company position relative to industry in 1992.

All cells in the cross-tabulation had a minimum size of 5; the scale of the independent variable (POSIT92) thus did not have to be collapsed into fewer categories.

This finding for 1992 tends to support the earlier proposition made under H12, namely, that companies do not necessarily consider their relative industry position when it comes to the strategic choice between "market share" and
"profitability" as the single most important objective in a given period.

H21A: There are differences in the reported single most important strategic marketing objective for 1992 (i.e., market share vs. profitability), given differences in perception of external (general) market conditions in 1992.

H21O: There are no differences.

In the last hypothesis, the dependent variable is single most important strategic marketing objective for 1992. This is a binary nominal variable.

The independent variable is perceived external (general) market conditions in 1992, which is measured on an interval scale. The independent variable is a composite measure made up of 28 variables (see Table I).

For this situation, the appropriate test statistic of association is the point-biserial correlation coefficient. The value of R (0.01834) and its significance level (0.4292) indicate that the null hypothesis of H21 cannot be rejected. No change in results was obtained at the ordinal and nominal level of measurement.

Thus, the respondents' choice of strategic marketing objective; i.e., market share vs. profitability, was independent of their perceptions of external (general) market conditions in 1992.
Summary of Hypothesis-Test Results

In summarizing the overall hypothesis test results, one should note that (1) only five out of twenty-one stated hypotheses were rejected in the null form, (2) the degree of association between variables was generally weak, and (3) four of the five hypotheses that could be rejected related to primary strategic marketing objectives rather than (quantifiable) sales-, profit-, and market share objectives.

While the small number of significant hypothesis test results and the (low) degree of association might be disappointing from a researcher's point of view, the results of the study provide new insights and perspectives in the area of strategic market planning. The findings also raise a number of new issues which deserve further research attention.

Table V presents a summary overview of the findings as they relate to each hypothesis in the study.

What follows is a summary of the study results. Research conclusions and recommendations for future studies are provided in Chapter VI.

Results Relating to Short-Term Marketing Objectives.
The first two major research questions addressed in this research were to determine (1) whether differences in firms' short-run marketing objectives could be linked to differences in respondents' perceptions of competitive and market
conditions in the short-run, and (2) what those differences were, if any emerged. Each of the first fifteen hypotheses in the study related to these issues.

The findings indicate that no such link seems to exist with respect to sales-, profit-, and market share objectives. The results of the hypothesis tests (H1-H9) suggest that quantifiable short-term objectives of this nature are set independent of such factors as perceived company competitive capabilities and perceived impact of industry-specific and external (general) market conditions. It needs to be pointed out, however, that the variance in the dependent variable(s) (i.e., objectives) was very low. It seems likely that the statistically insignificant results reflect this lack of variance. It is therefore possible that alternative means of measuring sales-, profit-, and market share objectives could result in a higher degree of variance and hence better tests of hypotheses.

The insignificant results might also indicate that company-internal influences on the decision-making processes (of setting objectives) outweigh the outcomes of market and competitive analyses which may or may not take place within the firms.

Since no statistically significant association was found between the independent and dependent variables as stated in hypotheses H1-H9, all nine hypotheses could not be rejected
in the null form. The second major research question can therefore not be addressed here.

One of two hypotheses relating to primary strategic marketing objectives for 1987 (i.e., market penetration, market development, product development, diversification) was rejected in the null form. That is, it was found that a systematic relationship existed between perceived company position relative to industry in 1986 and type of primary strategic marketing objective for 1987 (H10). No systematic relationship emerged between respondents' perceptions of industry-specific market conditions in 1986 and the type of objective chosen for 1987 (H11).

It was found that respondents who perceived a "lower" overall company position showed a higher propensity to view "market penetration/market development" as their primary objective for 1987. Respondents with a "higher" rating on company position were more likely to view "product development" or "diversification" as the most important objective. It should be pointed out, however, that no statistical test was performed to reveal the strength of this relationship, given the non-metric scales of measurement of both the independent and dependent variable. Higher-level scales should be devised to allow for more rigorous hypothesis testing in future studies.

The interpretation of results for H11 poses a similar problem in terms of the second research question: the test
statistic of association between perceived impact of industry-specific market conditions in 1986 and type of primary strategic marketing objective for 1987 does not measure the strength of the relationship between the two variables. Even if the relationship had been statistically significant, we still would not have been able to predict what objective respondents have chosen, based on the knowledge of how favorable (or unfavorable) industry-specific market conditions were perceived. What we can conclude is that there is considerable curvilinearity in the relationship between the two variables. This means that respondents who rated market conditions at the extreme ends of the scales (as "very unfavorable" or "very favorable") tended to select objectives such as product development or diversification, while those in the middle tended to select objectives such as market penetration and market development.

This result may seem surprising at first. However, in actual business situations, the curvilinearity may make a lot of sense. To illustrate: a company that is successful in a given product market (or within a strategic business unit of the firm) may very well decide to diversify into additional product markets during periods of market/economic prosperity in an attempt to gain a foothold in those (new) markets; on the other hand, a company that is being pushed out of a product market under unfavorable market conditions may be in
just as much need to diversify into new markets, this time in an attempt to survive as a corporate entity.

We may infer that a number of intervening variables may exert a more dominant influence on the choice of primary strategic marketing objectives. While it was beyond the scope of this dissertation to search for and identify such variables, this is a promising area for future research.

Out of the four hypotheses (H12-H15) that related to respondents' choice between "market share" and "profitability" as the primary strategic marketing objective for 1987, two were rejected in the null form.

It was found that a statistically significant relationship existed between the choice of objective and respondents' perception of company competitive capabilities and industry-specific market conditions. When competitive capabilities in 1986 were perceived as strong, respondents tended to choose product line "profitability" over "market share" as the most important objective for 1987.

We may infer that companies that are in a strong competitive position are inclined to charge or be able to charge high(er) prices to customers, thereby enhancing the profitability of a product line. American subsidiaries of German firms consist mostly of industrial companies with a highly specialized product line and (industrial) customer base. Only one-third of all firms in the sample sell to final consumers in the U.S. Since it is easier to develop a
competitive advantage in a highly specific target market through, for example, product design and quality, it would not be surprising if companies with strong competitive capabilities did indeed charge a high(er) price to enhance product line profitability. The companies surveyed in this study felt particularly strong in the areas of product quality and design, technological standing, suppliers' performance, and cost-efficiency of distribution.

An inverse relationship was found between perceived industry-specific market conditions in 1986 and type of strategic marketing objective for 1987. That is, respondents were more likely to identify the "market share" objective when the impact of current market conditions was rated as positive. We might argue that under unfavorable market conditions, companies are more concerned with (salvaging) product line profitability than about (the expansion of) sales and market share; the market share objective seems difficult to achieve under poor market conditions. This argument presumes that American subsidiaries of German firms place heavy emphasis on market share and sales expansion (which is always easier to achieve under positive market conditions than under negative ones). It seems reasonable to make this assumption, given the most frequently identified reasons for German foreign direct investments in the U.S. during the last decade. German firms have located in the U.S. because such investments provide the
necessary proximity to markets in the U.S., and because the U.S. has been considered an economic growth area that is politically stable (Kleinknecht 1981).

The hypotheses relating the choice of primary strategic marketing objective for 1987 to, respectively, respondents' perception of the current overall company position relative to industry (H12) and their perception of general market conditions in 1987 (H15) could both not be rejected in the null form.

It stands to reason that companies may not consider their overall position relative to all competitors in the industry when it comes to choosing between profitability and market share. Companies' competitive capabilities appear to have a more direct influence on that choice, as the hypothesis test results of H13 suggest. Overall company position does seem to play an important role when firms need to choose among such objectives as market penetration, market development, product development, and diversification, as the test results of H10 illustrate.

The choice between market share vs. profitability as the primary strategic marketing objective for 1987 seems to be unrelated to respondents' perceived impact of external (general) market conditions in 1987. The "preference" of one objective over the other was statistically independent of the perceived positive or negative impact such general market conditions might have on the firm.
A possible explanation for the statistical independence in both H12 and H15 may be that companies concentrate on decision inputs that are more closely related to company operations when choosing either "profitability" or "market share" as the primary objective. Both company competitive capabilities and industry-specific market conditions could be considered to be of more immediate relevance to the firms' operations in the U.S. Overall company position and external market conditions, on the other hand, may be too removed to have a direct impact on this strategic choice. This line of thought is supported by a study by Kreikebaum and Grimm (1982), who found that legal and technological developments are less important as inputs for strategic decisions among German firms.

**Results Relating to Long-Term Marketing Objectives.**

The other major research questions addressed in the dissertation were to determine (1) whether differences in firms' long-term marketing objectives could be linked to differences in respondents' perceptions of long-term market trends and overall company position relative to industry, and (2) what relationships, if any, emerged. These issues were addressed in hypotheses H16-H21.

It was found that the relationship between companies' long-term sales objectives for 1992 and respondents' perceptions of the impact of long-term external (general)
market conditions on the firm was fairly strong and significant (H16). The results indicate that when external market conditions were perceived as being favorable in 1992, sales objectives tended to be higher for that year. While this finding makes sense intuitively, it contrasts with the results of the equivalent hypothesis stated for 1987, where no such statistical association emerged.

In the discussion of individual testing results it was pointed out that the statistically significant finding (for 1992) has to be treated cautiously, due to problems relating to the measurement of sales objectives and the low variance in both the independent and dependent variable. It is therefore suggested that alternative ways of measurement be applied in future research to further investigate the relationship between long-term sales objectives and external market conditions.

The non-significance of hypothesis tests for H17 and H18 indicate that no link exists between long-term profit- and market share objectives on one hand, and perceptions of long-term external market conditions on the other. The results of H17 and H18 support the earlier finding for H6 and H9; i.e., no relationship between the two variables seemed to emerge from either a short-term or long-term perspective. Both results taken together may lead us to the conclusion that external market conditions--general market developments worldwide, in the U.S., and in W. Germany--are too removed
from the strategic market planning horizon of American subsidiaries and joint ventures of German firms.

The hypothesis test results concerning the relationship between perceived 1992 overall company position relative to industry and choice of primary 1992 strategic marketing objective (i.e., market penetration, market development, product development, diversification) resembled the test results of the equivalent hypothesis stated for 1987. The null hypothesis was rejected for both H10 and H19. Even though the level of statistical significance was lower for the 1992 hypothesis, the results are comparable enough to warrant the conclusion that a systematic relationship between the two variables did indeed prevail for both 1987 and 1992. Companies do seem to take into account their overall market position when choosing the single most important strategic marketing objective out of market penetration, market development, product development, and diversification.

The fact that insufficient cell sizes were encountered when testing hypotheses H10 and H19 suggests that larger sample sizes should be obtained to substantiate the results of this study.

The findings related to hypotheses H20 and H21 supported those of the counterpart hypotheses for 1987 (H12 and H15). That is, the relationship between choice of strategic marketing objective (market share vs. profitability) on one hand, and, respectively, perceived overall company position
and impact of external market conditions on the firm on the other, was insignificant for both 1987 and 1992. The hypothesis test results of H20 and H21 thus favor the possible conclusion reached earlier, namely, that overall company position and external market conditions are both too removed from the firms' operations to have a direct impact on marketing strategic decision making.
CHAPTER VI

CONCLUSIONS AND RESEARCH RECOMMENDATIONS

Research Implications:

One of the more general questions this study was supposed to help answer was whether companies consider market and competitive situations and trends when setting strategic marketing objectives. The common claim in the marketing strategic planning literature that firms do in fact consider these factors as decision inputs has led to the current research effort. While the literature abounds with convincing theoretical support for this claim, most existing research is highly normative or descriptive in nature.

This dissertation was an exploratory research effort to determine if firms' reported short-term and long-term strategic marketing objectives in a given foreign market would actually be the same, given firms' like perceptions on competitive and market conditions and trends.

The results of this study seem to indicate that only those objectives/decisions that are truly marketing strategic in nature are influenced by considerations of industry-specific market and competitive situations and trends. Setting the levels of both short- and long-term objectives for sales, profits, and market share for a company's main
product line appears to involve a decision process that is more company-internal in nature.

Two types of strategic marketing objective choices were incorporated into the questionnaire design: (1) the choice between market share (gains) vs. profitability (gains), and (2) the choice of one among four objectives (i.e., market penetration, market development, product development, diversification). Both the perception of current company competitive capabilities and the perceived impact of current industry-specific market conditions were shown to be related to the first type of marketing strategic choice. The dynamic nature of companies' selection of strategic marketing objectives was most clearly reflected here: while the perception of a strong market position in terms of company competitive capabilities "led" respondents to identify profitability as the single most important objective for the firms' main product line in the short-run, the perception of favorable industry-specific market conditions produced the opposite result; i.e., respondents selected market share (expansion) as the most important objective.

The relationship between industry conditions, company competitive capabilities, and strategic marketing objective (market share vs. profitability) was measured only from a short-term perspective. It is thus open to speculation and future research to determine whether a similar pattern of
relationships would emerge under a long-term planning time frame.

The second type of primary strategic marketing objective choice incorporated into the study design (i.e. market penetration, market development, product development, diversification) seemed to be related to the overall company position relative to industry. The results of the study indicated that firms consider their overall position when choosing one of the four objectives as the single most important goal for the companies' main product line(s). Overall company position turned out to be an important decision input both in the short- and long-run. Industry-specific market conditions did not seem to be a significant factor in this choice of primary strategic marketing objective.

In terms of the second and third general question addressed in this study, it was found that perceptions on current market conditions (both industry-specific and external conditions) and company strength or capability do not exert a strong influence on the level of sales-, market share-, and profit objectives. For example, a "lower" company position in terms of competitive capabilities does not seem to necessarily mean that lower (growth) objectives are selected by firms. If at all then, marketing objectives appear to vary by type rather than magnitude when competitive
and market situations and trends are offered as decision inputs.

Under favorable industry-specific market conditions, firms were found to pursue the objective of (expanding) market share rather than profitability. It may thus be that German firms operating in the U.S. are most interested in market share and sales expansion. This conclusion tends to conform with the traditional view that companies are predominantly concerned with volume in foreign markets and profits in domestic markets (Tookey 1964, Cooper, Hartley, and Harvey 1970).

Finally, the fact that external market conditions—worldwide developments, and developments related to general economic, political, social, and legal issues in the U.S. and W. Germany—were only related to long-term sales objectives may indicate that such general market conditions are too removed from subsidiary operations to be important decision inputs in the selection of strategic marketing objectives.

Recommendations for Future Research

A number of changes can be recommended to improve the present study. First, alternative means of measuring sales-, profit-, and market share objectives should be developed. The scales used in this study may in part be responsible for the sizable lack of variance in these variables. One way to improve the scales would be to "stretch" the presently
employed Likert-type scales; i.e., to expand the scales to measure six or seven (ordinal) levels in the dependent variable(s). Alternatively, a more direct way of measuring the objectives could be found. Instead of asking respondents to identify relative levels of an objective (e.g., dollar sales growth in 1987 relative to 1986), survey participants could be asked to specify the actual dollar amounts or percentages. However, two problems come to mind with this approach: (1) respondents might be more reluctant to volunteer the information, and (2) there might be a problem with the comparability of data. The better way of trying to maximize the variance in the named (dependent) variables thus seems to lie in the modification of the Likert-type scales.

It should be added that the lack of variance in the dependent variable scales of sales-, profit-, and market share objectives may not solely be the result of a measurement problem. It seems reasonable to assume that these objectives are always set higher for a company's most important (main) product line. In this sense, the lack of variance may reflect actual market planning behavior of firms, rather than point to a measurement problem.

Second, the study could be improved by incorporating measures of companies' anticipated long-term competitive capabilities and firms' expectations about future industry-specific market conditions. The development of such measures is highly desirable, for it would allow for a more direct
comparison of strategic market planning for 1987 and 1992 than was possible in this study.

The task of constructing such scales or measures might prove difficult, however, given the dynamic nature of changes in industry conditions. Firms may engage in long-term scenario planning and analysis of future industry conditions to increase their flexibility in strategic response. However, it is doubtful that firms develop strategic marketing objectives and strategies based on only one such scenario. In a survey setting, respondents might thus prove unable to be specific in identifying future strategic marketing objectives when being presented with questions on perceived long-term industry conditions and (anticipated) company capabilities. (The responses to this study have demonstrated the reluctance of respondents to speculate about the positive or negative nature of future events, especially with respect to the questionnaire items dealing with the perceived impact of external market conditions in 1992).

It might be feasible to construct hypothetical scenarios on future company capabilities and market conditions, and to ask respondents to "develop" (mark) strategic marketing objectives based on each and every scenario. A major problem with this approach is that only a very limited number of scenarios could be presented in a single survey format. Perhaps more importantly, respondents might prove to be (even more) reluctant to answer hypothetical scenario-type
questions. Finally, companies' actual behavior in setting strategic marketing objectives might differ vastly from what the obtained (hypothetical) data might indicate; results may thus become unreliable and inconclusive.

The present study and its results may form the basis for a number of future research projects. Using a similar survey format, future research might be of particular interest in the following areas:

1. Additional hypothesis testing using the present questionnaire; this may include an investigation of differences in strategic marketing objectives based on industry classification, company size, and other company demographic variables;

2. More rigorous hypothesis testing with the inclusion of more than one independent and dependent variable; additional variables should be correlated with the dependent variable;

3. Expanded research designs: a) analyzing cross-cultural differences, for example, by comparing strategic market planning of U.S. firms in the U.S., (other) foreign firms in the U.S., German firms in W. Germany, U.S. firms in Germany, or other foreign subsidiaries of German firms or of firms from varying national origin, b) analyzing strategic market planning for more than one product line, and c) investigating the complete strategic market planning process, by incorporating strategies, outcomes (performance), and control in the research design.

By testing additional hypotheses based on the present study, clues might be found as to which factors are most influential in the decision/selection of strategic marketing objectives. For example, it might be found that the level of
perceived company competitive capabilities is more important in the planning process than, say, perceived industry conditions.

Correlating additional independent variables with the dependent variable should help determine the importance of any intervening variables in "explaining" the variance within Y. Expanding the research design to include other firms, markets, and additional product lines would help overcome some of the limitations and clarify assumptions that prevailed in this study.

Specifically, future research should (1) clarify the extent to which the findings of the present study can be generalized beyond American subsidiaries of German firms, (2) expand existing knowledge in the area of strategic market planning of headquarter operations and company subsidiaries, and (3) highlight any cross-cultural differences.

Additional research needs to be conducted to determine whether strategic market planning differs by the (importance of) product lines being offered by firms in a given market. Finally, a more complete theoretical framework of strategic market planning in foreign markets should be developed and tested, based on the results of such future empirical research efforts.
APPENDIX A

PRENOTIFICATION LETTER
October 24, 1986

Dear Sir,

I am a German Ph.D. student in Marketing at North Texas State University, Denton, Texas. I am currently in the dissertation stage of my doctoral program.

Within the next two weeks, you will receive a survey questionnaire from me. The survey will concern strategic market planning and how firms select strategic marketing objectives and their magnitude. Your company is part of a sample drawn from published lists of American subsidiaries and joint ventures of German firms.

Please do participate when you receive your questionnaire. For the successful completion of the study it is very important that your answers be included.

If you have any questions regarding the survey, please feel free to call my advisor Dr. Barbara Coe or me at the University at (817) 565-3120.

Thank you very much.

Sincerely,

Wolfram Kleinknecht
APPENDIX B

COVER LETTER AND QUESTIONNAIRE
October 31, 1986

Dear Sir,

I am a German Ph.D. student in Marketing at North Texas State University, Denton, Texas. I am currently engaged in my dissertation research. In this context, I request your help in getting my research under way.

My dissertation involves an examination of how German firms operating in the U.S. select strategic marketing objectives and their magnitude. Your company is part of a sample of institutions (drawn from published lists of American subsidiaries and joint ventures of German firms) that have been sent the enclosed questionnaire.

Please fill out the questionnaire and return it to me in the enclosed return envelope as soon as possible. You may be assured of complete confidentiality. Individual data will not be released from this survey; only summary conclusions will be drawn. Further, feel free to skip any question that you prefer not to answer. However, if you do answer a question, please be as accurate and honest as possible.

No two questions/statements in the survey are exactly alike, but some of them may sound repetitious. Please try to answer all the questions; for statistical reasons it is very important that you do. If you wish to comment on any questions or qualify your answers, please use the blank margins or the last page of the questionnaire.

If you would like to receive a summary of the results of this survey, please provide your name and address on the back of the return envelope.

The dissertation represents the most important part of my doctoral program. I very much appreciate your assistance in helping me conclude my studies in the U.S. If you have any questions about the survey, please feel free to call my advisor Dr. Barbara Coe or me at the University at (817) 565-3120.

Sincerely,

Wolfram Kleinknecht
A confidential survey to learn how American subsidiaries (and joint ventures) of German firms select strategic marketing objectives and their magnitudes. This questionnaire should be filled out by you (the person to whom it is addressed), or by the person in your company at this location that you think is most directly concerned with strategic marketing issues.

You are part of a scientifically chosen sample that will represent many other firms, so the information you provide must be very accurate to be useful. Your answers will be held in strict confidence.

Please answer all the questions. If you wish to comment on any question or qualify your answers, please use the blank margins or the last page of this questionnaire. Please return the completed questionnaire in the enclosed envelope.
1) Does the MAIl business of your company in the U.S. consist of selling MANUFACTURED GOODS ? (CHECK ONE BOX) :
YES . . . . . . . (GO TO QUESTION 2a) . . . . | NO . . . . . . . (GO TO QUESTION 2b) . . . . |

(IF MANUFACTURED GOODS) :

1a) Which of the following Standard Industrial Classification Codes (SIC Code) best describes the MAIN category of manufactured goods your company is selling in the U.S. ?

[CHECK ONE BOX] :

- Apparel (Finished Products)
- Chemicals and Allied Products
- Electrical and Electronic Machinery, equipment, and Supplies
- Fabricated Metal Products, except Machinery and Transportation Equipment
- Food and Related Products
- Furniture and Fixtures
- Leather and Leather Products
- Lumber and Wood Products, except Furniture
- Machinery, except Electrical
- Measuring, Analyzing, and Controlling Instruments
- Paper and Allied Products
- Petroleum Refining and Related Industries
- Primary Metal Industries
- Printing, Publishing, and Allied Products
- Rubber and Miscellaneous Plastics Products
- Stone, Clay, Glass, and Concrete Products
- Textile Mill Products
- Tobacco Manufactures
- Transportation Equipment
- Transportation
- Other Manufacturing Industries

(other) (PLEASE SPECIFY): _____________________________

(IF NOT MANUFACTURED GOODS) :

1b) Which of the following Standard Industrial Classification Codes (SIC Code) best describes the MAIN business of your company in the U.S. ? (CHECK ONE BOX) :

[CHECK ONE BOX] :

- Agriculture, Forestry, and Fishing
- Construction
- Financial, Insurance, and Real Estate Services
- Mining
- Retail Trade
- Wholesale Trade
- Transportation and Public Utilities
- Other

(other) (PLEASE SPECIFY): _____________________________

2) Within the MAIN business of your company, as answered in Question 1a or b, does your company sell more than one PRODUCT LINE in the U.S. ? (CHECK ONE BOX) :
YES . . . . . . . (GO TO QUESTION 2a) . . . . | NO . . . . . . . (GO TO QUESTION 2b). . . . . |

(IF YES)

2a) Please specify the NUMBER of product lines your company is selling in the U.S. (NUMBER OF PRODUCT LINES): _____________________________

3) We realize there are several criteria which determine the relative importance of a product or product line in a company. In terms of the criteria below, please RANK YOUR COMPANY'S MOST IMPORTANT PRODUCT LINE IN THE U.S. MARKET:

a) In terms of annual unit sales volume (NAME OF PRODUCT LINE): _____________________________
b) In terms of annual dollar sales volume (NAME OF PRODUCT LINE): _____________________________
c) In terms of annual company profits (NAME OF PRODUCT LINE): _____________________________
d) In terms of strategic significance (NAME OF PRODUCT LINE): _____________________________
e) In terms of overall importance (NAME OF PRODUCT LINE): _____________________________

PLEASE TURN TO THE NEXT PAGE
SECTION II

4) Below are six statements, each describing a different scenario of a company's market position. Please read all six statements before you answer. Which is the ONE statement that BEST describes the situation of your company's single most important product line in 1986.

(PLEASE CHECK ONLY ONE BOX BELOW):

- In terms of our 1986 market share, our company can be considered the industry leader in the specific product-market we serve [ ]
- It is an industry-wide accepted fact that our company is the technical leader in the U.S. as of 1986 [ ]
- In the specific industry we serve, there is no market leader as of 1986, but our company is definitely a major producer in the industry [ ]
- In our specific industry, no firm in 1986 has had the ability to directly shape industry direction or the individual strategies of other firms [ ]
- In the specific industry we serve, there is no market leader as of 1986 and we are only a minor producer [ ]
- In the specific industry we serve, there is a company which is the market leader, but it is not our firm [ ]

5) Project yourself into the year 1992. Will your answer be the same as in Question 4 above or will it change?

(PLEASE CHECK ONLY ONE BOX BELOW):

- In terms of our expected market share in 1992, our company will probably be considered the industry leader in the specific product-market we serve [ ]
- By 1992, our company will probably be considered the technical leader in the industry [ ]
- In the specific industry we serve, there probably will be no market leader by 1992, but we will definitely be a major producer in the industry by then [ ]
- By 1992, no firm in our specific industry will have the ability to directly shape industry direction or the individual strategies of other firms [ ]
- In the specific industry we serve, there will be no market leader in 1992, and we will only be a minor producer [ ]
- In the specific industry we serve, there will be a market leader in 1992, but it will not be our firm [ ]

PLEASE TURN TO THE NEXT PAGE
Once again, in answering this section, please keep in mind that your answers should relate only to your company's single most important product line (or main product line), as indicated by you in Question # 3 e) in SECTION I above.

Below are a number of statements which relate to market conditions and various aspects of your company, such as production capabilities, research facilities, and company plans. Please read each statement and indicate how well each describes your company and/or market conditions.

(CIRCLE ONE NUMBER FOR EACH STATEMENT BELOW):

The following scale applies:

1 = Strongly Disagree
2 = Disagree
3 = Slightly Disagree
4 = Slightly Agree
5 = Agree
6 = Strongly Agree
8 = Do not know / No opinion

<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
<th>2</th>
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<tr>
<td>6) Our company employs a very modern production process in the U.S. market</td>
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<td>7) Our company has the research and development facilities in the U.S. that allow us to keep up with future advances in production technology</td>
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<td>8) Our current production capacity is sufficient to maintain our present market share in the U.S. market</td>
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<td>9) Our current production capacity is sufficient to increase our market share in the future without the need for additional capital outlays</td>
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<td>10) Our planned production capacity for 1992 will allow us to expand our U.S. market share</td>
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<td>11) We have secure access to suppliers to maintain our present market share in the U.S. between 1986 and 1992</td>
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<tr>
<td>12) We have secure access to suppliers to expand our U.S. market share between 1986 and 1992</td>
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<td>13) Our major suppliers in the U.S. are highly cost-competitive</td>
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<td>14) Our company's research and development (R &amp; D) capabilities are very strong</td>
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<td>15) U.S. market conditions in our industry are very attractive in 1986</td>
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<td>16) I believe that the U.S. market conditions relevant to our main product line will be better in 1998 than they have been in 1986</td>
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<td>17) I believe that the U.S. market conditions relevant to our main product line will be excellent in 1990</td>
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<td>18) It is very easy for new firms to enter the line of business we are in</td>
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<td>19) It is easy for our customers to purchase competitors' products instead of ours, i.e., the substitutability of our main product line is high</td>
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<td>20) The nature of our main product line is such that we could easily find a new customer base if our current customers were to stop buying from us</td>
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<td>21) The current growth rate of the industry that our main product line is part of is very high</td>
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<td>22) Starting around 1993, the growth rate of the industry that our main product line is part of will probably be very high</td>
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<td>23) There currently are some segments in the industry of our main product line which still offer a high unrealized potential for sales</td>
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<td>24) By 1992, there will be many segments (of varying sizes) in the industry of our main product line offering a high potential for sales</td>
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<td>25) There are still very important applications for our main product line that offer a high potential for sales</td>
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<td>26) There will be many newly-developing industry applications for our main product line over the next five years</td>
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SECTION IV

In this section, we would like to find out how you compare your company and its most important product line (or main product line) with your most significant competitors. For each area listed below, please indicate your company's market position relative to that of competitors.

(CIRCLE ONE NUMBER FOR EACH STATEMENT BELOW):

The following scale applies:

1 = much worse than competitors'
2 = worse than competitors'
3 = slightly worse than competitors'
4 = slightly better than competitors'
5 = better than competitors'
6 = much better than competitors'
8 = do not know / no opinion

27) Compared with ALL other firms directly competing against our main product line in the U.S., OUR COMPANY'S MARKET POSITION with respect to...

28) THE IMPACT OF CURRENT INDUSTRY/MARKET CONDITIONS with regard to their IMPACT on your company's main product line.

(CIRCLE ONE NUMBER FOR EACH STATEMENT BELOW):

The following scale applies:

0 = no impact
1 = extremely negative
2 = negative
3 = slightly negative
4 = slightly positive
5 = positive
6 = extremely positive
8 = do not know / no opinion

PLEASE TURN TO THE NEXT PAGE
SECTION V

Given below are several market-external factors that cannot be controlled by business firms but which nevertheless influence market conditions and the performance of individual firms. Please indicate how you feel each might affect the performance of your U.S. company’s most important product line in 1987.

(CIRCLE ONE NUMBER FOR EACH STATEMENT):

The following scale applies:

0 = will have no impact for 1987
1 = very negative impact for 1987
2 = negative impact for 1987
3 = slightly negative impact for 1987
4 = slightly positive impact for 1987
5 = positive impact for 1987
6 = very positive impact for 1987
8 = do not know/no opinion

1) World Defense Issues in 1987 will have a
2) World Economic Issues in 1987 will have a
3) World Interest Rate Levels in 1987 will have a
4) World Oil Prices in 1987 will have a
5) World Political Issues in 1987 will have a
6) World Trade Issues in 1987 will have a
7) U.S. Dollar - DM Exchange Rates in 1987 will have a
8) U.S. Economic Conditions in 1987 will have a
9) Germany Economic Conditions in 1987 will have a
10) U.S. Inflation Rates in 1987 will have a
11) U.S. Interest Rate Levels in 1987 will have a
12) U.S. Labor Costs in 1987 will have a
13) U.S. Legal Developments in 1987 will have a
14) U.S. Political Developments in 1987 will have a
15) U.S. Social Issues in 1987 will have a
16) U.S. Unemployment Rates in 1987 will have a
17) German Economic Conditions in 1987 will have a
18) German Inflation Rates in 1987 will have a
19) German Interest Rate Levels in 1987 will have a
20) German Labor Costs in 1987 will have a
21) German Legal Developments in 1987 will have a
22) German Political Developments in 1987 will have a
23) German Social Issues in 1987 will have a
24) German Unemployment Rates in 1987 will have a
25) Technological Innovations in 1987 will have a
26) Changes in the Availability of “Quality” Personnel in 1987 will have a
27) Overall U.S. Market Conditions in 1987 will have a
28) Combined, all Market-External Factors in 1987 will have a

PLEASE TURN TO THE NEXT PAGE
Next we are interested in the same factors as in SECTION V above, but for the year 1992. Please indicate how you feel each might affect the performance of your U.S. company's most important product line in 1992.

(CIRCLE ONE NUMBER FOR EACH STATEMENT):

The following scale applies:

- 0 = will have no impact for 1992
- 1 = very negative impact for 1992
- 2 = negative impact for 1992
- 3 = slightly negative impact for 1992
- 4 = slightly positive impact for 1992
- 5 = positive impact for 1992
- 6 = very positive impact for 1992
- 8 = do not know/no opinion

Please turn to the next page.
85) Below is a set of six (6) distinct strategic marketing objectives. Read all six before you answer.

Then indicate WHICH ONE OBJECTIVE represents the SINGLE MOST IMPORTANT one for your most important product line to achieve in 1987.

(CHECK ONLY ONE BOX BELOW)

(a) Market Penetration: Our single most important objective for 1987 is to increase our market share and sales of our current product line to current customers.

(b) Market Development: Our single most important objective for 1987 is to build up market share and sales of our current product line to new customers.

(c) Product Development: Our single most important objective for 1987 is to offer new products to our current customers.

(d) Diversification: Our single most important objective for 1987 is to offer new products to new customers (e.g., customers we currently do not serve).

(e) All of the above objectives (a)-(d) are equally important in 1987.

(f) None of (a)-(d) above is the most important objective for our firm in 1987.

(f) lone of (a)-(d) above is the most important objective for our firm in 1987.

86) Now project yourself into the year 1992. Which of the following is your company’s SINGLE MOST IMPORTANT OBJECTIVE to achieve by 1992?

(CHECK ONLY ONE BOX BELOW)

(a) Market Penetration: Our single most important objective for 1992 is to increase our market share and sales of our 1992 product line to customers.

(b) Market Development: Our single most important objective for 1992 is to build up market share and sales of our 1992 product line to new customers.

(c) Product Development: Our single most important objective for 1992 is to offer new products to our current (1992) customers.

(d) Diversification: Our single most important objective for 1992 is to offer new products to new customers (e.g., customers we currently do not serve).

(e) All of the above objectives (a)-(d) are equally important in 1992.

(f) None of (a)-(d) above is the most important objective for our firm in 1992.
Given below are some statements relating to sales and profit objectives of your firm for the years 1987 and 1992, in relation to the year 1986. For each statement, please circle the appropriate number.

(CIRCLE ONE NUMBER FOR EACH STATEMENT BELOW):

<table>
<thead>
<tr>
<th>Lower than in 1986</th>
<th>About the same as in 1986</th>
<th>Higher than in 1986</th>
<th>Do not know / have not set this objective</th>
</tr>
</thead>
</table>

1. The profit-growth objective our company has set for its most important product line in 1987 is .... 1 2 3 4 5 6
2. The profit-growth objective our company has set for its most important product line in 1992 is .... 1 2 3 4 5 6
3. The dollar-profit objective our company has set for its most important product line in 1987 is .... 1 2 3 4 5 6
4. The dollar-profit objective our company has set for its most important product line in 1992 is .... 1 2 3 4 5 6
5. The return-on-investment objective our company has set for its most important product line in 1987 is .... 1 2 3 4 5 6
6. The return-on-investment objective our company has set for its most important product line in 1992 is .... 1 2 3 4 5 6
7. The return-on-sales objective our company has set for its most important product line in 1987 is .... 1 2 3 4 5 6
8. The return-on-sales objective our company has set for its most important product line in 1992 is .... 1 2 3 4 5 6
9. The annual dollar-sales objective our company has set for its most important product line in 1987 is .... 1 2 3 4 5 6
10. The annual dollar-sales objective our company has set for its most important product line in 1992 is .... 1 2 3 4 5 6
11. The annual sales-growth objective our company has set for its most important product line in 1987 is .... 1 2 3 4 5 6
12. The annual sales-growth objective our company has set for its most important product line in 1992 is .... 1 2 3 4 5 6
13. The market-share objective our company has set for its most important product line in 1987 is .... 1 2 3 4 5 6
14. The market-share objective our company has set for its most important product line in 1992 is .... 1 2 3 4 5 6
15. With respect to the four (4) objectives below, WHICH ONE OBJECTIVE is the most important for your company's most important product line to achieve in 1987?
(PLEASE MARK ONLY ONE ANSWER BELOW FOR 1987):
(a) To maintain the present market share of our most important product line .... 1 2 3 4 5 6
(b) To increase the market share of our most important product line .... 1 2 3 4 5 6
(c) To maintain product-line profitability .... 1 2 3 4 5 6
(d) To improve product-line profitability .... 1 2 3 4 5 6

16. For 1992, WHICH ONE of these same objectives will be the most important to achieve?
(PLEASE MARK ONLY ONE ANSWER BELOW FOR 1992):
(a) To maintain the present market share of our most important product line .... 1 2 3 4 5 6
(b) To increase the market share of our most important product line .... 1 2 3 4 5 6
(c) To maintain product-line profitability .... 1 2 3 4 5 6
(d) To improve product-line profitability .... 1 2 3 4 5 6

PLEASE TURN TO THE LAST PAGE.
SECTION IX

103) What are the major FUNCTIONS that YOUR company performs at this location? (CHECK ALL THAT APPLY):

- Distributor
- Manufacturer of Original Equipment (OEM)
- Manufacturer - Other
- Purchasing Agent
- Manufacturer's Representative
- Sales/Branch Office
- Service Facility

104) Which of the following are your DIRECT CUSTOMERS in the U.S., i.e., to whom do you sell your goods/services in the U.S.? (CHECK ALL THAT APPLY):

- American Subsidiaries of German firms
- U.S. Firms
- Final (End-) Consumers in the U.S.

105) How many countries does your German parent-company serve WORLD-WIDE?   (NUMBER OF COUNTRIES): 

106) How many years has your German parent-company operated in GERMANY?   (NUMBER OF YEARS): 

107) How many years has your German parent-company operated in the U.S.?   (NUMBER OF YEARS): 

108) How many states within the U.S. does the company serve from YOUR specific location? (CHECK ONE BOX BELOW):

- 1 state
- 2-5 states
- 6-10 states
- 11-15 states
- more than 15 states

109) For classification reasons, we need to know your German parent-company's approximate size in terms of number of employees. Approximately how many people did the company employ in 1986?   (NUMBER OF EMPLOYEES):

- WORLD-WIDE
- in the U.S. as a whole
- at YOUR specific U.S. location

That concludes this questionnaire.

I thank you very much for your cooperation. If you have any comments, please use the next page. Please return the questionnaire in the enclosed return envelope. You can return the questionnaire anonymously. If you would like to receive a summary of the results, please write your name and address on the back of the return envelope.
APPENDIX C

FIRST REMINDER LETTER
Dear Sir,

Last week a University questionnaire on strategic market planning was mailed to you. Your company was drawn in a sample of American subsidiaries and joint ventures of German firms.

Since the questionnaire can be returned anonymously, I have no way of knowing which respondents have returned theirs. If you have completed and returned the questionnaire, please accept my sincere thanks. If not, please do so today. It is extremely important for the success of my dissertation that your opinions be included.

If by chance you did not receive the questionnaire, please call me at the University at (817) 565-3120 as soon as possible. I will be glad to mail one to you today.

Thank you very much for your consideration.

Sincerely,

Wolfram Kleinknecht
APPENDIX D

SECOND REMINDER LETTER
Dear Sir,

As you might recall, about two weeks ago I wrote to you to ask for help in a survey on strategic market planning. Your company has been selected in a sample of American subsidiaries and joint ventures of German firms. If you have already completed and returned the questionnaire, please accept my sincere thanks.

If you have not yet completed the questionnaire, please do so as soon as possible. My limited budget, consisting entirely of personal funds, is almost depleted, and this letter is my last opportunity to encourage your individual response.

As of today, the number of completed questionnaires I have received is far too small to be representative of all the German firms in the U.S. For the success of my doctoral dissertation and the completion of my studies in the U.S. it is imperative to achieve a much higher response rate from the selected firms. Please help me achieve this goal.

In the event that your questionnaire has been misplaced, a replacement questionnaire with postage-paid return envelope is enclosed. If you have any questions about the survey, please feel free to call me at (817) 565-3120.

You may receive a summary of results. Simply write your name and address on the back of the return envelope.

Thank you very much for your consideration in responding to my request.

Most sincerely,

Wolfram Kleinknecht
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